



KWADUKUZA MUNICIPALITY

UNAUDITED ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2014**

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 92, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

N J MDAKANE
MUNICIPAL MANAGER

Date

Annual Financial Statements

for

KWADUKUZA MUNICIPALITY

for the year ended

30 June 2014

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

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KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

General information

Members of the Council

N R Mthembu	Mayor
G Govender	Deputy Mayor
T Khuluse	Speaker
A M McDonnel (01/07/2013 - 12/05/2014)	Member of the Executive Committee
* C R Marsh (28/05/2014 - 30/06/2014)	Member of the Executive Committee
M S Sing	Member of the Executive Committee
S P C Mdletshe	Member of the Executive Committee
S Oudhram	Member of the Executive Committee
J L T Sibiya	Member of the Executive Committee
S S Gumede	Member of the Executive Committee
J M Banda	Member of the Executive Committee
M S Mhlongo	Member of the Executive Committee
O L Nhaca	Member of the Executive Committee
D W Ndimande	Chief Whip
B B Sing	Member
D Singh	Member
C N Xulu	Member
M E Zungu	Member
N P Dube	Member
N Sewraj	Member
E B Majola	Member
L R Makhathini	Member
T E Msweli	Member
A M Baarman	Member
T V Ntuli	Member
S C M Motala	Member
G N Mbonambi	Member
N G Mthethwa	Member
R N Pakkie	Member
G J Van Whye	Member
N M Hlatshwayo	Member
V M W Mdluli	Member
A L Sahadaw	Member
J A Vallan	Member
W M Luthuli	Member
R Singh	Member
S Anamalay	Member
B Dlavana	Member
A Gopaul	Member
T K Gumede	Member
T N Khumalo	Member
E M Kolia	Member
S P Luthuli	Member
S L Magubane	Member
S M R Mfeka	Member
S D Mashiya	Member
G Z Mngomezulu	Member
C Ndlovu	Member
D M Ngcobo	Member
T V Ntuli	Member
S A Ngwane	Member
I T Nxumalo	Member
J S Phahla	Member

KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

General information (continued)

Municipal Manager

Mr N J Mdakane

Chief Financial Officer

Mr S M Rajcoomar

Grading of Local Authority

Category 4

Auditors

Auditor-General South Africa (AGSA)

Bankers

First National Bank

Registered Office:

KwaDukuza Municipality

Physical address:

14 Chief Albert Luthuli Street
KwaDukuza
4450

Postal address:

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**KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

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KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	2014 R	2013 R
ASSETS			
Non-current assets		1 146 333 915	927 258 894
Property, plant and equipment	10	1 053 548 706	843 101 577
Intangible assets	11	11 549 526	13 352 682
Investment properties	12	80 230 000	69 785 000
Heritage Assets	13	18 346	18 346
Long-term receivables	14	987 337	1 001 290
Current assets		652 800 902	623 035 860
Inventories	15	5 761 340	2 882 889
Receivables from exchange transactions	16	69 164 521	57 610 161
Receivables from non-exchange transactions	17	30 492 963	29 180 671
Value added taxation receivable	9	5 005 275	4 409 855
Current portion of long-term receivables	14	6 109	5 076
Cash and cash equivalents	18	542 370 693	528 947 208
Total Assets		1 799 134 818	1 550 294 754
LIABILITIES			
Non-current liabilities		253 390 864	177 074 497
Long-term liabilities	2	147 818 364	81 965 959
Non-current provisions	3	28 213 030	23 552 760
Employee benefits	4.2	65 031 000	59 972 510
Long service awards and retirement gifts	4.3	12 315 000	11 350 971
Non-current lease liability	40	13 470	232 297
Current liabilities		293 259 141	258 967 137
Deposits	5	24 237 783	22 750 448
Current Portion of Provisions	6	7 607 854	7 131 829
Current Provisions	6	-	100 000
Trade and other payables	7	172 631 808	159 673 826
Unspent conditional grants and receipts	8	75 476 334	58 109 820
Current portion of long-term liabilities	2	13 099 635	10 817 480
Current portion of lease liability	40	205 728	383 734
Total Liabilities		546 650 005	436 041 633
Net Assets		1 252 484 814	1 114 253 122
NET ASSETS			
Housing operating account	1	8 728 156	8 728 156
Revaluation Reserve		9 813 137	9 813 137
Accumulated surplus		1,233,943,521	1 095 711 829
Total Net Assets		1 252 484 814	1 114 253 122

**KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 R	2013 R
CONTINUING OPERATIONS			
REVENUE			
Revenue from non-exchange transactions			
Property rates	19	257 976 406	237 479 149
Property rates - penalties imposed and collection charges		9 666 071	10 744 404
Fines		34 630 482	5 886 814
Government grants and subsidies	21	138 961 286	115 382 902
Licences and permits		8 767 667	8 571 183
Public donations - Property, plant and equipment	10	5 024 977	18 428 975
Revenue from exchange transactions			
Service charges	20	568 708 442	510 312 319
Rental of facilities and equipment		505 440	1 054 586
Interest earned investments		21 700 289	21 098 672
Interest earned outstanding debtors		4 283 230	2 729 431
Other income	28	45 848 445	74 476 195
Gain on disposal of property, plant and equipment		84 105	-
Fair Value Adjustment of investment properties	12	10 445 000	1 945 000
Total Revenue		1 106 601 841	1 008 109 629
EXPENDITURE			
Employee related costs	22	227 441 281	200 715 198
Remuneration of councillors	23	16 607 754	15 130 157
Collection costs		4 727 168	4 366 191
Ammortisation	11	2 375 177	2 483 039
Depreciation	10	40 201 360	34 110 245
Repairs and maintenance		73 669 433	63 303 086
Finance costs	24	11 601 150	8 134 555
Bulk purchases	25	398 246 744	361 429 928
Employee and long services benefits	4.3	6 022 519	5 709 431
General expenses	26	145 414 436	127 983 697
Contracted services	27.1	26 240 607	22 554 536
Transfer made: MIG funding paid to Ilembe District Municipality	27.2	8 528 290	20 619 944
Adjustments to allowance for impairment	16	27 418 600	(499 019)
Adjustments to non-current provisions	3	5 136 294	3 301 593
Adjustments to current provision	6	-	100 000
Bad debts written off	16	4 081 369	2 681 558
Loss on disposal of assets		-	4 537 732
Impairment loss on assets	10	7 015 752	5 705 346
Less: Recharges		(36 357 784)	(30 946 709)
Total Expenditure		968 370 149	851 420 509
SURPLUS FOR THE YEAR FROM CONTINUING OPERATIONS		138 231 692	156 689 120
DISCONTINUED OPERATIONS			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	42	-	2 392 607
SURPLUS FOR THE YEAR		138 231 692	154 296 512

KWADUKUZA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2014

	<u>Housing Operating Account</u> R	<u>Revaluation Reserve</u>	<u>Accumulated Surplus</u> R	<u>Total</u> R
2011 RESTATED	8 728 156	-	842 596 843	851 325 000
2012				
Restated surplus for the year (refer to note 36.6)			97 399 556	97 399 556
Adjustment to Rates Revenue prior to 2012/13 due to Valuation appeals			289 636	289 636
Adjustment to Other Income prior 2012/2013 in respect of sundry deposits			(7 291)	(7 291)
Adjustment to Rental Income prior 2012/2013			(6 820)	(6 820)
Adjustment to General Expenses prior 2012/2013 in respect of SALGA subscriptions			(135 002)	(135 002)
Adjustment to Fair value of Investment Property prior 2012/2013 in respect of take on of Ballito Scouts Hall			4 000 000	4 000 000
Adjustment to Depreciation			(2 721 602)	(2 721 602)
Restated balance at 30 June 2012	8 728 156	-	941 415 319	950 143 476
2013				
Surplus for the year	-	-	154 296 512	154 296 512
Revaluation Reserve	-	9 813 137	-	9 813 137
Balance at 30 June 2013	8 728 156	9 813 137	1 095 711 829	1 114 253 122
2014				
Surplus for the year	-	-	138 231 692	138 231 692
Balance at 30 June 2014	8 728 156	9 813 137	1 233 943 521	1 252 484 814

KWADUKUZA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		1 075 487 922	988 494 098
Cash paid to suppliers and employees		910 497 498	819 001 682
Cash generated from operations	30	164 990 424	169 492 416
Interest received		21 700 289	21 098 672
Finance costs	24	11 601 150	(8 134 555)
NET CASH FLOWS FROM OPERATING ACTIVITIES		198 291 863	182 456 533
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(254 718 544)	(83 471 888)
Purchase of intangible assets		(335 666)	(10 570)
Decrease/(Increase) in non-current receivables		741 944	113 304
Proceeds on sale of Investment properties		-	380 649
NET CASH FLOWS FROM INVESTING ACTIVITIES		(254 312 266)	(82 988 505)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		81 284 467	34 845 088
Loans repaid		(13 149 906)	(9 782 684)
Lease repayments		(178 006)	(387 967)
Increase in consumer deposits		1 487 335	1 461 619
NET CASH FLOWS FROM FINANCING ACTIVITIES		69 443 888	26 136 056
NET INCREASE IN CASH AND CASH EQUIVALENTS		13 423 485	125 604 084
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		528 947 208	403 343 125
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	542 370 693	528 947 208

KWADUKUZA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14							
R (000) thousands	Original Budget (000)	Budget Adjustments (000)	Final Budget (000)	Actual outcome (000)	Variance (1) between Original and Final Budget (000)	Note on variances (1)	Variance (2) between Final Budget and Actual outcome (000)	Note on variances (2)
Financial Performance								
Property rates (Including Penalties and Collection Charges)	275,862	(2,337)	273,525	267,642	(2,337)	38.1	(5,882)	38.12
Services charges	601,614	(15,678)	585,936	568,708	(15,678)	38.2	(17,227)	38.13
Investment revenue	10,525	1,850	12,375	21,700	1,850	38.3	9,325	38.14
Transfers recognised - operational	108,028	4,446	112,474	97,452	4,446	38.4	(15,022)	38.15
Other own revenue	57,696	5,756	63,452	109,589	5,756	38.5	46,137	38.16
Total Revenue (excluding capital transfers and contributions)	1,053,725	(5,964)	1,047,762	1,065,093	(5,964)		17,331	
Employee Related Costs	239,862	11,284	251,146	227,441	11,284	38.6	(23,705)	38.17
Remuneration of Councillors	18,507	(500)	18,007	16,608	(500)		(1,400)	
Allowance for impairment	14,136	(3,000)	11,136	27,419	(3,000)	38.7	16,283	38.18
Depreciation and asset impairment	71,923	(23,325)	48,597	42,577	(23,325)	38.8	(6,021)	38.19
Finance charges	18,026	(2,700)	15,326	11,601	(2,700)	38.9	(3,725)	38.20
Bulk Purchases	394,048	-	394,048	398,247	-		4,199	
Other Expenditure	297,176	12,284	309,459	244,478	12,284	38.10	(64,981)	38.21
							-	
Total Expenditure	1,053,679	(5,958)	1,047,721	968,370	(5,958)		(79,351)	
Loss on Discontinued Operations	-	-	-	-	-	-	-	-
Surplus	47	(6)	41	96,723	(6)		(62,020)	
Transfers recognised - capital	89,345	30,397	119,742	41,509	30,397	38.11	(78,233)	38.22
Contributions recognised - capital and contributed assets	-	-	-	-	-		-	
Surplus after capital transfers & contributions	89,392	30,391	119,783	138,232	30,391		18,449	
Share of surplus of associate								
Capital Expenditure & funds sources								
Capital Expenditure								
Transfers recognised - capital	89,345	26,697	116,042	41,509	26,697	38.23		38.26
Public Contributions and Donations	-	3,700	3,700	5,025	3,700			
Borrowing	207,821	(61,568)	146,253	81,284	(61,568)	38.24		38.27
Internally generated funds	217,343	(8,289)	209,054	126,887	(8,289)	38.25		38.28
Total Sources of capital funds	514,509	(39,460)	475,049	254,705	(39,460)			

Cash Flows

Net cash from (used) operating
Net cash from (used) investing
Net cash from (used) financing

Cash/cash equivalents at the year end

133,734	(29,385)	104,349	198,292	(29,385)			
(514,009)	39,460	(474,549)	(254,312)	39,460			
168,777	(35,293)	133,485	69,444	(35,293)			
		-		-			
317,449	(25,218)	292,231	542,371	(25,218)			

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board (“ASB”) in March 2009 and May 2010, respectively, as amended.

The Minister has determined the following Standards of GRAP for Municipalities.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

GRAP 26	Impairment of Cash –generating Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

In addition the municipality has applied all the other Interpretation Standards and directives determined by the Minister in the updated Directive 5.

1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 9.2 on Revenue from Exchange Transactions and Accounting Policy 9.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions. In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 3.3 and, 4, the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19 Employee Benefits. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note 12.

1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 New standards and interpretations

1.6.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

In addition the municipality has applied all the other Interpretation Standards and Directives determined by the Minister in the updated Directive 5.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- ☐ a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- ☐ an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short term employee benefits;
- all short term employee benefits;
- short term compensated absences;
- bonus, incentive and performance related payments;
- post-employment benefits;
- other long term employee benefits; and
- termination benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

1.6.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- ☐ control;
- ☐ related party transactions; and
- ☐ remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

For the year under review, Council has applied IPSAS 20.

2. HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

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Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be

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consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

<i>Details</i>	<i>Years</i>
<i>Infrastructure</i>	
Roads	10 – 120
Electricity	5 – 100
Storm Water	10 – 50
Solid Waste Disposal	10 – 50
<i>Community</i>	
Community and Recreation Facilities	5 – 50
Other Assets	2 – 50
Vehicles	3 – 5
Furniture and Fittings	2 – 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

3.7 Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

3.8 Impairment of Assets

3.8.1 Cash - generating Assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use

Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

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An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

3.8.2 Impairment of Non-cash Generating Assets

Identification

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset no impairment recognised.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

The present value of the remaining service potential of a non cash generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the

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asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a

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subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

4.2 Subsequent Measurement, Amortisation and Impairment

Subsequently all intangible assets are measured at cost, less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes (excluding electricity servitudes) obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in surplus or deficit for the year.

4.3 Derecognition of Intangible Assets

The carrying amount of an intangible asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortisation and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction or at a nominal value its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;

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- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the year.

The carrying amount of an investment property is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an investment property is included in surplus or deficit for the year when the asset is derecognised..

Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

(GRAP 1.76 (d))

Directive 3 allows for transitional provisions in respect of heritage assets, with specific mention of the following:

If the initial accounting for heritage assets is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those heritage assets for which the accounting is incomplete.

During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .121 or the transfer date in accordance with paragraph .122, and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the entity shall also recognise additional heritage assets if information is obtained about the existence of those heritage assets at the effective date of the Standard or the transfer date, whichever is applicable, and, if it had been known, would have

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resulted in the recognition of those heritage assets at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard or the transfer date, whichever is applicable, or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

This measurement period expires at 30 June 2015 on which date the Standard needs to be fully complied with.

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage Assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in the accordance with the requirements of the Standard of GRAP on Heritage Assets

7. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

7.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost

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Other Debtors	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

7.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term Loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

In accordance with IAS 39.09, the Financial Liabilities of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are

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measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

7.3.2 Financial Liabilities:

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis..

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

7.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made whereby the recoverability of Consumer Debtors is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

7.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

8. INVENTORIES

Inventories comprising consumable stores, raw materials and finishing goods are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value, determined on the weighted average cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge

Unsold properties represent unsold units in economic selling schemes where the net realisable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of

current replacement cost would not only distort the statement of financial position by inflating the value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realisable value.

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Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9. NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

9.1 Non-current assets held for sale

9.2 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.3 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

9.4 Discontinued operations

A discontinued operation is a component of the municipality that either has been disposed of or is classified as held for sale and:

- (a) represents a distinguishable activity, group of activities or geographical area of operations;
- (b) is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- (c) is a controlled entity acquired exclusively with a view to resale.

Discontinued operations are presented separately from continuing operations in the annual financial statements.

10. REVENUE RECOGNITION

10.1 General

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

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10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

10.2.3 Finance income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportionate basis that takes into account the effective yield on the investment.

10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.5 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Fines constitute both spot fines and summonses. Initial recognition is based on the probability of entitlement to collect and subsequent measurement based on probability of collection.

10.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10.3.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

11. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in surplus of deficit for the year.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

13. EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Past service costs

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13.3 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

13.4 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

13.4.1 Pension obligations

The municipality and its employees contribute to four 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

13.4.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate.

Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

13.4.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance,

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ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

14. LEASES

14.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, plant, equipment or Intangible Assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are recognised as an expense in surplus or deficit for the year.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

17. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

22. RELATED PARTIES

Individuals, including councilors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all

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ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. COMPARATIVE INFORMATION

24.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

27. CAPITAL COMMITMENTS

In terms of GRAP 17 and GRAP 102, contractual commitments are disclosed for all assets and intangible assets. Where contracts or letters of awards have been issued, this is classified as an approved and contracted commitment.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
1. HOUSING OPERATING ACCOUNT		
Housing Operating Account	8 728 156	8 728 156
The Housing Operating Account is represented by the following assets and liabilities:		
Fixed Assets	3 335 927	3 374 706
Housing Inventory	334 132	334 132
Debtors	1 148 191	1 238 304
Debtors: Department of Housing	251 934	172 134
Cash and cash equivalents	3 744 237	3 633 584
Prepaid debtors	(86 265)	(24 704)
Total Housing Operating Account Assets and Liabilities	8 728 156	8 728 156
2. LONG-TERM LIABILITIES		
Non Annuity Loans	157 090 205	88 029 268
Annuity Loans	3 827 794	4 754 170
Sub-total	160 917 999	92 783 439
Less: Current portion transferred to current liabilities	13 099 635	10 817 480
Non Annuity Loans	12 100 984	9 891 103
Annuity Loans	998 651	926 376
Total External Loans	147 818 364	81 965 959
Refer to Appendix A for more detail on long-term liabilities.		
Non Annuity Loans - Bank Loans		
Bear interest at 8.23% to 9,73% and is redeemed in bi-annual installments, including interest, over varying periods until 2032.		
Annuity loans		
Bear interest at rates between 12% and 16.5% per annum, are being redeemed in quarterly installments, including interest, over varying periods until 2017.		
3. NON-CURRENT PROVISIONS		
Provision for the eradication of alien vegetation	26 930 470	21 273 003
Provision for the rehabilitation of the landfill site	8 890 414	9 411 587
Sub-total	35 820 884	30 684 589
Less: Current portion transferred to current liabilities (refer to Note 6)	7 607 854	7 131 829
Provision for the eradication of alien vegetation	5 516 111	4 467 041
Provision for the rehabilitation of the landfill site	2 091 743	2 664 788
Total Non-Current Provisions	28 213 030	23 552 760

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**2014
R**

**2013
R**

3 NON-CURRENT PROVISIONS (continued)

The movement in non-current provisions are reconciled as follows:

Eradication of alien vegetation

Balance at beginning of year	21 273 003	18 228 458
Contributions / (Reduction) to provision	5 657 468	3 044 545
Increase due to discounting	-	-
Expenditure incurred	-	-
Balance at end of year	26 930 470	21 273 003

The provision created is for cost of eradication of alien vegetation in respect of the municipality's obligation to clear all municipal land of invasive alien plants and to enforce private property owners to do the same. This study was conducted by Ecological and Environmental Services.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2014/2015 operating budget over a period of ten (10) years.

The provision reflects a total of R26 930 470 expenditure discounted net of a rate of 9% pa. (Prime interest rate) (2013 - 8,5%)

Landfill site rehabilitation

Balance at beginning of year	9 411 587	9 154 539
Contributions / (Reduction) to provision	(521 173)	257 048
Reduction due to remeasurement	-	-
Increase due to discounting	-	-
Expenditure incurred	-	-
Balance at end of year	8 890 414	9 411 587

The provision created for the rehabilitation of the landfill site is based on a professional study conducted by Ecological and Environmental Services of the rehabilitation costs of the Shakaville dumpsite.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2013/2014 operating budget over a period of two (2) years.

The provision reflects a total of R8 890 414 expenditure discounted net of a rate of 9% pa (Prime interest rate) (2013:- 8,5%)

4. EMPLOYEE BENEFITS

4.1 Pension benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

Superannuation

The interim valuation carried out on the Superannuation Fund as at 31 March 2012 reflected:

The memorandum account in respect of pensioners was fully funded. The required contribution rate for active members exceeded the contribution rate payable by 0.22% of pensionable salaries. It is recommended that local authorities continue to pay the current contribution rate of 21.63% of pensionable salaries. The deficit in the fund, as at 31 March 2012, in respect of active members, amounted to R270.0m (discounted cashflow method). This deficit has decreased since the last valuation date. In terms of the scheme, a surcharge of 9.5% of pensionable salaries is payable for a period of 8 years with effect from 1 July 2012.

The interim valuation carried out on the Superannuation Fund as at 31 March 2013 reflected:

The memorandum account in respect of pensioners was fully funded. The required contribution rate for active members exceeded the contribution rate payable by 0.22% of pensionable salaries. It is recommended that local authorities continue to pay the current contribution rate of 21.63% of pensionable salaries. The deficit in the fund, as at 31 March 2012, in respect of active members, amounted to R270.0m (discounted cashflow method). This deficit has decreased since the last valuation date to R158.716 000. In terms of the scheme, a surcharge of 9.5% of pensionable salaries is payable for a period of 8 years with effect from 1 July 2012.

Provident Fund

The statutory valuation of the Provident Fund (defined contribution) as at 31 March 2009 and the interim valuation as at 31 March 2010 revealed that the fund was in a sound financial position.

The interim valuation carried out on the Provident Fund as at 31 March 2013 reflected:

The assets exceeded the liabilities and reserves. The fund is in a sound position as at the valuation date.

Retirement Fund

The statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2012 reflected:

The memorandum account in respect of pensioners was fully funded on the discounted cash flow method. The Funds assets for the contributory members exceeded the value of the liabilities and reserves. The fund was in a sound financial condition as at 31 March 2012

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2013 reflected:

The fund is 93.1% funded as at the valuation date . The pensioner liabilities are fully funded and the liabilities in respect of active members are 86.0 % funded. The financial position has thus improved since the previous valuation. The fund self insures its risk benefits. The view of the consultant is that the Fund is not in a sound position as at the valuation date but the surcharge being paid is expected to restore the Fund to a sound financial condition permitted by the FSB.

4.2 Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, KeyHealth, LA Health, Samumed and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.

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	2014 R	2013 R
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8.94%	8.77%
Health care cost inflation rate	8.05%	7.61%
Net effective discount rate	0.82%	1.08%
Benchmark inflation (equal to salary inflation)	0%	0%
Average retirement age	63	63
Proportion continuing membership at retirement	90%	90%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA90-1 ultimate	PA90-1 ultimate
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		
Percentage of in-service members withdrawing before retirement:		
Age 20	Females 28% Males 42%	Females 24% Males 16%
Age 30	18% 25%	15% 10%
Age 40	10% 10%	6% 6%
Age 50	2% 2%	2% 2%
Age 55+	0% 0%	0% 0%
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	65 031 000	59 972 510
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	59 972 510	55 990 074
Current service cost	2 373 610	2 404 918
Interest cost	5 188 800	4 415 678
Benefit payments	(1 718 615)	(1 556 736)
Actuarial (gains)/losses	(785 305)	(1 281 424)
Balance at end of year	65,031,000	59,972,510
The amounts recognised in the Statement of Financial Performance were as follows:		
CONTINUED OPERATIONS		
Current service cost	2 373 610	2 404 918
Interest cost	5 188 800	4 415 678
Benefit payments	(1 718 615)	(1 556 736)
Actuarial (gains)/losses	(785 305)	(1 281 424)
TOTAL: CONTINUED SERVICES	5 058 490	3 982 436
DISCONTINUED OPERATIONS		
Provincial Health Services - Clinics	-	-
TOTAL	5 058 490	3 982 436

2014
R

2013
R

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the level of mortality and medical aid inflation.

SENSITIVITY RESULTS

Mortality Rate:

The liability at the Valuation date was recalculated to show the effect of:

(1) A 20% increase and decrease in the assumed level of mortality

Table 1 summarises the results of the sensitivity analysis

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	R 69 600 000	R 65 031 000	R 61 138 000
Interest Cost	R 6 278 000	R 5 862 000	R 5 508 000
Service Cost	R 3 148 000	R 2 988 000	R 2 856 000

Note: Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

Medical Aid Inflation:

The liability at the Valuation date was recalculated to show the effect of:

(1) A 1% increase and decrease in the medical aid inflation.

Table 2 summarises the results of the sensitivity analysis

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	R 61 887 000	R 65 031 000	R 67 304 000
Interest Cost	R 5 575 000	R 5 862 000	R 6 069 000
Service Cost	R 2 849 000	R 2 988 000	R 3 076 000

Note: The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

4.3 Long service awards and retirement gifts

The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	7.96%	7.40%
General Salary Inflation (long term)	7.33%	6.82%
Retirement Gift Inflation (long term)	7.82%	7.82%
Net effective discount rate	0.59%	0.54%

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	2014 R	2013 R
Examples of mortality rates used were as follows:		
Average retirement age	63 years	63 years
Mortality during employment	SA85-90	SA85-90 Ultimate
<i>Members withdrawn from service:</i>	Females Males	Females Males
Age 20	28% 42%	24% 16%
Age 30	18% 25%	15% 10%
Age 40	10% 10%	6% 6%
Age 50	2% 2%	2% 2%
Age 55	0% 0%	0% 0%
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations		
Fair value of plan assets		
Liability in the Statement of Financial Position	12 315 000	11 350 971
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	11 350 971	9 623 976
Current service cost	1 386 427	1 284 741
Interest cost	712 985	581 947
Actuarial (Gain)/losses	(176 959)	1 238 392
Benefit payments	(958 424)	(1 378 085)
Balance at end of year	12 315 000	11 350 971
The amounts recognised in the Statement of Financial Performance were as follows:		
CONTINUED OPERATIONS		
Current service cost	1 386 427	1 284 741
Interest cost	712 985	581 947
Actuarial (Gain)/losses	(958 424)	1 238 392
Benefit payments	(176 959)	(1 378 085)
TOTAL: CONTINUED SERVICES	964 029	1 726 995
DISCONTINUED OPERATIONS		
Provincial Health Services - Clinics	-	-
TOTAL	964 029	1 726 995
In conclusion:		
Statement of Financial Position obligation for:		
Post-employment medical benefits	65 031 000	59 972 510
Long Service Award	12 315 000	11 350 971
	77 346 000	71 323 481
Statement of Financial Performance obligation for:		
Post-employment medical benefits - continued members	5 058 490	3 982 436
Long Service Award loss - continued members	964 029	1 726 995
	6 022 519	5 709 431
Post-employment medical benefits - discontinued members	-	-
Long Service Award loss - discontinued members	-	-
	6 022 519	5 709 431

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results are withdrawal rate and normal salary inflation

2014
R

2013
R

SENSITIVITY RESULTS

Withdrawal Rate:

The liability at the Valuation date was recalculated to show the effect of:

(i) A 20% increase and decrease in the assumed level of withdrawal rate;

Tables 1 summarises the results of the sensitivity analysis.

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	R 13 070 000	R 12 315 000	R 11 649 000
Current Service Cost	R 1 381 000	R 1 241 000	R 1 125 000
Interest Cost	R 1 059 000	R 993 000	R 936 000

Note: Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

Normal Salary Inflation:

The liability at the Valuation date was recalculated to show the effect of:

(i) A 1% increase and decrease in the normal salary cost inflation

Tables 2 summarises the results of the sensitivity analysis.

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	R 11 445 000	R 12 315 000	R 13 287 000
Current Service Cost	R 1 127 000	R 1 241 000	R 1 372 000
Interest Cost	R 919 000	R 993 000	R 1 076 000

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2014 R	2013 R
5. DEPOSITS		
Electricity	24 237 783	22 750 448
Guarantees held in lieu of electricity deposits	2 863 846	2 648 846
6 CURRENT PROVISIONS		
CURRENT PORTION OF PROVISIONS		
Eradication of alien vegetation - current portion	5 516 111	4 467 041
Rehabilitation of the landfill site - current portion	2 091 743	2 664 788
Total Current portion of provisions	7 607 854	7 131 829
CURRENT PROVISION		
Relocation of promenade - current provision	-	100 000
	7 607 854	7 231 829
7 TRADE & OTHER PAYABLES		
Trade creditors	86 493 803	98 281 579
Payments received in advance	13 388 686	15 547 585
Deposits - other	2 394 752	1 646 749
Staff leave	10 006 021	9 361 992
Cheques payments not yet presented to bank	20 722 584	1 393 845
Retentions	14 850 011	5 468 513
Housing Agency Creditor - Department of Human Settlements	24 078 304	27 771 235
Other creditors	697 646	202 328
Total Creditors	172 631 808	159 673 826
Payments in advance includes prepaid electricity accruals.		
8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Municipal Infrastructure Grant	29 220 831	23 696 547
Financial Management Grant	-	258 946
Land Use Management Systems	-	107 000
Municipal Systems Improvement Grant	58 152	731 959
New Library	106 348	91 149
Property Rates Implementation	31 985	31 985
Department of Sports and Recreation	198 070	260 486
CDB Revitalization	-	64 101
Municipal Assistance Programme	822 903	822 902
iLembe: Shared Services	810 664	823 003
Neighbourhood Development Partnership	15 305 708	-
Thusong Centre	9 691	344 233
Multi Purpose Centre - MPCC	69 414	310 561
Ethembeni / Charlotdale Precent	263 242	480 000
Expanded Public Works Programme	129 454	603 938
Corridor Development	5 563 115	9 771 173
Department of Minerals and Energy (DME) (INEP)	186 728	-
Museum	378 973	465 577
Housing Accreditation	11 124 706	6 846 000
Disaster Rough Seas	3 196 350	4 400 258
Demand Side Management Grant	8 000 000	8 000 000
Total Conditional Grants and Receipts	75 476 334	58 109 820
See note 21 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.		
9 VALUE ADDED TAXATION RECEIVABLE	5 005 275	4 409 855
VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to SARS		

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

30 June 2014

Reconciliation of Carrying Value	Buildings	Solid Waste	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Cemetries	Other Assets	Developed Land	Undeveloped Land	Housing	Leased assets	Under Construction	Total
	R	R	R	R	R	R	R					R	R	R	R
Carrying Values at 30 June 2013	76,038,823	2,322,103	17,577,591	171,563,199	90,495,374	258,692,697	18,294,189	4,294,037	(0)	34,677,449	76,545,700	3,374,706	721,803	88,503,906	843,101,577
Cost	101,477,100	2,677,771	43,358,191	291,542,451	121,504,449	415,764,938	33,720,207	5,331,572	(0)	34,677,449	76,545,700	8,052,000	1,710,332	88,503,906	1,224,866,065
Accumulated depreciation	(25,438,276)	(355,668)	(25,780,600)	(119,979,252)	(31,009,075)	(157,072,240)	(15,426,018)	(1,037,535)	0	-	-	(4,677,294)	(988,529)	-	(381,764,488)
Additions															-
Acquisitions	2,839,686		8,620,512	3,795,507		3,673,409	4,720,165	236,372				195,118	(13,100)	230,637,776	254,705,444
Capital under construction brought into use	5,943,287			34,284,372	11,875,812	44,700,437								(96,803,908)	-
Donations	488,599			560,099		3,750,632	225,646								5,024,977
Assets physically verified not on list		171,486	7,635				35,642								214,764
Revaluation of PPE before transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of AUC to expenditure														(1,683,396)	(1,683,396)
Assets written off	-	(85)	(43,929)	(23,283)	-	(230,840)	(275,572)	-	-	-	(23,000)	-	(837)	-	(597,546)
Cost	-	(107)	(165,805)	(239,993)	-	(503,804)	(1,374,052)	-	-	-	(23,000)	-	(11,492)	-	(2,318,253)
Accumulated Depreciation	-	22	121,876	216,709	-	272,964	1,098,480	-	-	-	-	-	10,656	-	1,720,707
Impairment			(26,903)	(587,620)	(2,183,367)	(4,095,262)	(122,599)								-
Depreciation	(5,260,343)	(156,837)	(2,787,942)	(9,167,805)	(3,330,164)	(12,235,289)	(6,327,442)	(247,796)				(233,897)	(453,847)		(7,015,752)
Property transferred to IP															-
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying Values at 30 June 2014	80,050,053	2,336,667	23,346,965	200,424,468	96,857,655	294,255,784	16,550,029	4,282,613	(0)	34,677,449	76,522,700	3,335,927	254,019	220,654,378	1,053,548,706
Cost	110,748,671	2,849,150	51,820,534	329,942,437	133,380,261	467,385,612	37,327,608	5,567,944	(0)	34,677,449	76,522,700	8,247,118	1,685,739	220,654,378	1,480,809,600
Accumulated depreciation	(30,698,619)	(512,483)	(28,473,568)	(129,517,968)	(36,522,606)	(173,129,828)	(20,777,579)	(1,285,331)	0	-	-	(4,911,191)	(1,431,720)	-	(427,260,893)

Restated 2013

Reconciliation of Carrying Value	Buildings	Solid Waste	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Cemetries	Other Assets	Developed Land	Undeveloped Land	Housing	Leased assets	Under Construction	Total
	R	R	R	R	R	R	R					R	R	R	R
Carrying Values at 30 June 2012	70,245,572	1,823,044	20,224,205	132,665,015	85,795,204	228,295,476	15,370,225	4,361,372	2,519	31,599,842	76,345,700	3,521,316	972,845	74,947,231	746,169,565
Cost	91,103,155	2,060,529	43,691,239	238,639,360	114,494,614	374,896,451	32,418,518	5,160,477	11,795	31,599,842	76,345,700	8,052,000	1,565,334	74,947,231	1,094,986,244
Accumulated depreciation	(20,857,583)	(237,485)	(23,467,034)	(105,974,345)	(28,699,410)	(146,600,975)	(17,048,293)	(799,105)	(9,276)	-	-	(4,530,684)	(592,489)	-	(348,816,679)
-															-
Additions															
Acquisitions	2,238,047	663,234	1,504,600	755,225		3,289,415	8,743,981	171,095		3,172,607	200,000		53,913	67,908,661	88,700,777
Capital under construction brought into use	8,249,199			23,550,636	4,106,221	27,089,357	17,948							(63,013,361)	-
Donations	500,000				2,903,614	14,995,438	29,923								18,428,975
Assets physically verified not on list						3,997,383	129,323								4,126,706
Revaluation of PPE before transfer	9,813,137														9,813,137
Assets written off	(62,504)	(39,565)	(815,920)	-	-	(1,774,695)	(1,692,593)	-	(2,035)	-	-	-	(26,173)	-	(4,413,485)
Cost	(193,256)	(45,992)	(1,837,648)	-	-	(3,309,076)	(8,395,055)	-	(11,795)	-	-	-	(117,098)	-	(13,909,920)
Accumulated Depreciation	130,752	6,427	1,021,728	-	-	1,534,381	6,702,462	-	9,760	-	-	-	90,925	-	9,496,435
-															-
Impairment				(4,050,983)		(1,635,414)	(18,948)								(5,705,345)
-															-
Depreciation	(4,827,271)	(124,610)	(3,487,173)	(6,698,145)	(2,309,665)	(10,380,385)	(5,181,215)	(238,430)	(484)			(146,610)	(434,684)		(33,828,672)
-															-
Property transferred to IP	(10,575,000)	-	-	-	-	-	-	-	-	(95,000)	-	-	-	-	(10,670,000)
Cost	(10,730,452)									(95,000)					(10,825,452)
Accumulated depreciation	155,452	-	-	-	-	-	-		-	-	-	-	-	-	155,452
-															-
Carrying Values at 30 June 2013	76,038,823	2,322,103	17,577,591	171,563,199	90,495,374	258,692,697	18,294,189	4,294,037	(0)	34,677,449	76,545,700	3,374,706	721,803	88,503,906	843,101,577
Cost	101,477,100	2,677,771	43,358,191	291,542,451	121,504,449	415,764,937	33,720,207	5,331,572	(0)	34,677,449	76,545,700	8,052,000	1,710,332	88,503,906	1,224,866,065
Accumulated depreciation	(25,438,276)	(355,668)	(25,780,600)	(119,979,252)	(31,009,075)	(157,072,240)	(15,426,018)	(1,037,535)	0	-	-	(4,677,294)	(988,529)	-	(381,764,487)

11. INTANGIBLE ASSETS

30 June 2014

		Total
Carrying values as at 1 July 2013	13 352 682	13 352 682
Cost	18 912 749	18 912 749
Accumulated Amortisation	(5 560 067)	(5 560 067)
Write-off of intangible assets	(254)	(254)
Cost	(40 369)	(40 369)
Accumulated Amortisation	40 116	40 116
Additions	335 666	335 666
Intangible assets not previously recognized	236 608	236 608
Refund on previously capitalised amounts	-	-
Amortisation	(2 375 177)	(2 375 177)
Carrying value closing balance as at 30 June 2014	11 549 526	11 549 526
Cost	19 444 654	19 444 654
Accumulated Amortisation	(7 895 128)	(7 895 128)

Restated June 2013

		Total
Carrying values as at 1 July 2012	20 990 454	20 990 454
Cost	24 400 903	24 400 903
Accumulated Amortisation	(3 410 449)	(3 410 449)
Write-off of intangible assets	(44 896)	(44 896)
Cost	(378 317)	(378 317)
Accumulated Amortisation	333 421	333 421
Additions	10 570	10 570
Intangible assets not previously recognized	95 382	95 382
Refund on previously capitalised amounts	(5 215 789)	(5215 789)
Amortisation	(2 483 039)	(2 483 039)
Carrying value closing balance as at 30 June 2013	13 352 682	13 352 682
Cost	18 912 749	18 912 749
Accumulated Amortisation	(5 560 067)	(5 560 067)

**KWADUKUZA MUNICIPALITY
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	2014 R	2013 R
12. INVESTMENT PROPERTIES		
Carrying Value Opening Balance	69 785 000	57 630 000
Loss on valuation	-	-
Gain on valuation	10 445 000	1 945 000
Sale of properties	-	(460 000)
Transfer from Property, Plant and Equipment	-	10 670 000
Carrying Values Closing Balance	80 230 000	69 785 000
The fair value of these properties as valued by Council's valuer at 30 June 2014 amounts to	80 230 000	69 785 000
Rental income derived from these properties amount to	590 874	564 089
No amounts were expensed towards repairs and maintenance costs for investment properties.		
Details of investment properties are included in a register which is available for inspection at the municipal offices.		
13. HERITAGE ASSETS		
Carrying values as at 1 July 2013		
At Cost	18 346	18 346
Additions	-	-
Carrying value closing balance as at 30 June 2014		
At Cost	18 346	18 346
14. LONG-TERM RECEIVABLES		
Housing selling scheme loans	10 343 818	11 085 762
	10 343 818	11 085 762
Less: Allowance for impairment and future housing discounts	(9 350 372)	(10 079 396)
Allowance for impairment and future housing discounts	(9 350 372)	(10 079 396)
	993 446	1 006 366
Less: Current portion transferred to current receivables	(6 109)	(5 076)
Current portion	(6 109)	(5 076)
Total Receivables	987 337	1 001 290

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing's programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

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	2014 R	2013 R
15. INVENTORIES		
Consumable stores	65 140	319 077
Mechanical spares	40 454	14 464
Electrical maintenance spares	5 070 259	2 005 947
Fuel	251 355	209 270
Housing inventory	334 132	334 132
Total Inventories	5 761 340	2 882 889
Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.		
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	67 356 204	61 933 753
Estate	64 155	80 220
Refuse	7 817 772	7 251 642
Consumer debtors for VAT	12 008 383	9 985 513
Legal Fees	4 099 268	2 097 390
Encroachment and plot clearing	14 990	20 264
Sundry Adjustments	80 823	97 543
Interest	4 383 510	3 059 475
Add back credits included above	536 166	281 111
Total service debtors	96 361 272	84 806 911
Less: Allowance for impairment	(27 196 751)	(27 196 751)
Total	69 164 521	57 610 161
<u>Electricity: Ageing</u>		
Current (0 – 30 days)	50 519 144	48 794 378
31 - 60 Days	2 579 958	2 353 585
61 - 90 Days	1 495 749	952 234
91 - 120 Days	965 403	1 136 774
Greater than 120 days	11 795 950	8 696 783
Total	67 356 204	61 933 753
<u>Estate: Ageing</u>		
Current (0 – 30 days)	2 102	2 510
31 - 60 Days	1 867	2 510
61 - 90 Days	1 746	2 401
91 - 120 Days	1 746	2 183
Greater than 120 days	56 694	70 616
Total	64 155	80 220
<u>Refuse: Ageing</u>		
Current (0 – 30 days)	1 507 857	1 079 209
31 - 60 Days	494 812	477 826
61 - 90 Days	390 619	335 992
91 - 120 Days	318 765	304 268
Greater than 120 days	5 105 719	5 054 348
Total	7 817 772	7 251 642

	2014 R	2013 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>Consumer Debtors for VAT: Ageing</u>		
Current (0 – 30 days)	8 619 112	7 038 176
31 - 60 Days	431 501	378 381
61 - 90 Days	274 188	208 057
91 - 120 Days	179 920	212 323
Greater than 120 days	2 503 661	2 148 575
Total	12 008 383	9 985 513
<u>Legal Fees: Ageing</u>		
Current (0 – 30 days)	691 311	346 748
31 - 60 Days	36 006	83 946
61 - 90 Days	108 442	53 991
91 - 120 Days	193 332	423 124
Greater than 120 days	3 070 177	1 189 581
Total	4 099 268	2 097 390
<u>Encroachment and plot clearing: Ageing</u>		
Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	1 630	-
91 - 120 Days	-	-
Greater than 120 days	13 360	20 264
Total	14 990	20 264
<u>Sundry Adjustments: Ageing</u>		
Current (0 – 30 days)	95 215	128 574
31 - 60 Days	(3 327)	(9 432)
61 - 90 Days	(2 424)	258
91 - 120 Days	(5 902)	(3 364)
Greater than 120 days	(2 739)	(18 492)
Total	80 823	97 543
<u>Interest: Ageing</u>		
Current (0 – 30 days)	367 032	243 240
31 - 60 Days	265 336	197 884
61 - 90 Days	248 379	195 559
91 - 120 Days	217 582	176 562
Greater than 120 days	3 285 182	2 246 229
Total	4 383 510	3 059 475
<u>Add back credits included above: Ageing</u>		
Current (0 – 30 days)	5 472 324	4 961 242
31 - 60 Days	(884 570)	(593 437)
61 - 90 Days	(922 398)	(806 182)
91 - 120 Days	(404 631)	(510 097)
Greater than 120 days	(2 724 558)	(2 770 415)
Total	536 166	281 111

	2014 R	2013 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>Reconciliation of the Allowance for Impairment</u>		
Balance at beginning of the year	103 467 042	103 142 746
Receivables from exchange transactions	27 196 751	27 300 563
Long term receivables	10 079 396	10 250 075
Receivables from non-exchange transactions	66 190 895	65 592 108
(Release from) / Contribution to provision		324 296
Receivables from exchange transactions	-	(897 988)
Long term receivables	(11 355)	(170 679)
Receivables from non-exchange transactions	27 429 955	569 647
	27 418 600	(499 019)
Vat on trade receivables from exchange transactions	-	794 176
Vat on trade receivables from non-exchange transactions	-	29 140
Receivables from exchange transactions	27 196 751	27 196 751
Long term receivables	9 350 372	10 079 396
Receivables from non-exchange transactions	93 620 850	66 190 895
Balance at end of year	130 167 973	103 467 042
Bad debts written off	4 081 369	2 681 558
17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	75 755 310	79 503 793
Other debtors	45 879 782	13 367 646
Department of Housing - RDP projects (see note 22)	251 934	172 134
Operating leases	2 160 503	2 142 034
Ilembe debtors	66 284	185 960
	124 113 813	95 371 567
less: Allowance for impairment	(93 620 850)	(66 190 895)
Total Other Debtors	30 492 963	29 180 671
<u>Rates: Ageing</u>		
Current (0 – 30 days)	12 298 967	10 106 313
31 - 60 Days	5 021 086	4 287 535
61 - 90 Days	3 515 759	3 437 698
91 - 120 Days	2 906 066	3 042 756
Greater than 120 days	52 013 432	58 629 492
Total	75 755 310	79 503 793
<u>Other Debtors:</u>		
Included in Other Debtors are:		
Debtors in respect of Legal Fees outstanding	241 551	
Unidentified direct deposits	(4 670 506)	
Amounts to be claimed from Dept. Of Health - Clinic Expenses	1 000 655	
BPB Sindi Construction & Khayelihle Projects - fruitless & wasteful expenditure	2 003 234	
Contour prepaid vending debtor	1 787 168	
Traffic Fines debtor raised in terms of iGRAP1	31 311 065	
Licences & testing fees accrued	121 638	
Ilembe water deposits	6 720	
Sundry Debtors - R&G	11 689 538	
Prepaid expenditure	2 388 720	
	45 879 782	
BPB Sindi Construction & Khayelihee Projects - This Fruitless & Wasteful expenditure is disclosed as part of Receivables from Non-Exchange transactions and has been fully impaired subject to the outcomes of Section 32 of the MFMA.		

	2014 R	2013 R
18. CASH AND CASH EQUIVALENTS		
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62099517743: Money Market Account</i>		
Bank statement and cash book balance at the beginning of the year	25 296 787	49 160 065
Bank statement and cash book balance at the end of the year	14 398 668	25 296 787
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 05 8756442-044: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	18 648 561	17 666 009
Bank statement and cash book balance at the end of the year	19 555 042	18 648 561
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 03 7881022337-150: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	13 807 357	13 136 340
Bank statement and cash book balance at the end of the year	14 316 551	13 807 357
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442-043: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	9 553 108	9 049 776
Bank statement and cash book balance at the end of the year	10 017 472	9 553 108
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 03 7881022337-148: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 502 210	6 184 252
Bank statement and cash book balance at the end of the year	6 717 585	6 502 210
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2068872069: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 558 789	6 202 035
Bank statement and cash book balance at the end of the year	6 826 799	6 558 789
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2068912186: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 536 290	6 180 759
Bank statement and cash book balance at the end of the year	6 803 380	6 536 290
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 03 7881022337-146: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 522 734	6 203 071
Bank statement and cash book balance at the end of the year	6 738 788	6 522 734

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	2014 R	2013 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 3133717-9975: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	5 944 124	5 708 237
Bank statement and cash book balance at the end of the year	<u>6 225 823</u>	<u>5 944 124</u>
Investments Bank Account <i>ABSA Bank Account - Durban Branch</i> <i>Account Number 2070596495</i>		
Bank statement and cash book balance at the beginning of the year	11 736 227	11 097 854
Bank statement and cash book balance at the end of the year	<u>12 215 800</u>	<u>11 736 227</u>
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 313 371 739 9974</i>		
Bank statement and cash book balance at the beginning of the year	12 083 232	11 064 562
Bank statement and cash book balance at the end of the year	<u>12 698 996</u>	<u>12 083 232</u>
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2070924953</i>		
Bank statement and cash book balance at the beginning of the year	11 521 454	10 894 763
Bank statement and cash book balance at the end of the year	<u>11 992 251</u>	<u>11 521 454</u>
Investments Bank Account <i>Standard Bank Bank Account - Stanger Branch</i> <i>Account Number 05 875 6642 041</i>		
Bank statement and cash book balance at the beginning of the year	5 761 570	5 458 005
Bank statement and cash book balance at the end of the year	<u>6 041 632</u>	<u>5 761 570</u>
Investments Bank Account <i>Standard Bank Bank Account - Stanger Branch</i> <i>Account Number 05 875 6642 040</i>		
Bank statement and cash book balance at the beginning of the year	5 761 570	5 458 006
Bank statement and cash book balance at the end of the year	<u>6 041 632</u>	<u>5 761 570</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288308672</i>		
Bank statement and cash book balance at the beginning of the year	520 127	520 127
Bank statement and cash book balance at the end of the year	<u>520 083</u>	<u>520 127</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288306147</i>		
Bank statement and cash book balance at the beginning of the year	260 023	260 023
Bank statement and cash book balance at the end of the year	<u>260 001</u>	<u>260 023</u>

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	2014 R	2013 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 74385497604</i>		
Bank statement and cash book balance at the beginning of the year	29 369 175	27 907 134
Bank statement and cash book balance at the end of the year	<u>-</u>	<u>29 369 175</u>
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 05 5756442-042</i>		
Bank statement and cash book balance at the beginning of the year	16 607 583	15 732 566
Bank statement and cash book balance at the end of the year	<u>17 414 855</u>	<u>16 607 583</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 74386376948</i>		
Bank statement and cash book balance at the beginning of the year	17 368 637	16 512 478
Bank statement and cash book balance at the end of the year	<u>-</u>	<u>17 368 637</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289159660</i>		
Bank statement and cash book balance at the beginning of the year	2 753 602	2 660 883
Bank statement and cash book balance at the end of the year	<u>2 852 716</u>	<u>2 753 602</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289162259</i>		
Bank statement and cash book balance at the beginning of the year	4 185 510	4 044 605
Bank statement and cash book balance at the end of the year	<u>4 336 182</u>	<u>4 185 510</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288308135</i>		
Bank statement and cash book balance at the beginning of the year	214 997	214 997
Bank statement and cash book balance at the end of the year	<u>214 964</u>	<u>214 997</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289163215</i>		
Bank statement and cash book balance at the beginning of the year	605 689	585 314
Bank statement and cash book balance at the end of the year	<u>627 453</u>	<u>605 689</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288305230</i>		
Bank statement and cash book balance at the beginning of the year	620 159	620 159
Bank statement and cash book balance at the end of the year	<u>620 126</u>	<u>620 159</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288306618</i>		
Bank statement and cash book balance at the beginning of the year	186 994	186 994
Bank statement and cash book balance at the end of the year	<u>186 961</u>	<u>186 994</u>

	2014 R	2013 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>Standardl Bank Account - Stanger Branch</i> <i>Account Number 058756442-036</i>		
Bank statement and cash book balance at the beginning of the year	5 328 820	5 116 793
Bank statement and cash book balance at the end of the year	<u>5 570 224</u>	<u>5 328 820</u>
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 38495111999-5</i>		
Bank statement and cash book balance at the beginning of the year	5 387 937	5 109 820
Bank statement and cash book balance at the end of the year	<u>5 537 733</u>	<u>5 387 937</u>
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442039</i>		
Bank statement and cash book balance at the beginning of the year	10 725 639	10 157 163
Bank statement and cash book balance at the end of the year	<u>11 159 930</u>	<u>10 725 639</u>
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 374035339994</i>		
Bank statement and cash book balance at the beginning of the year	10 804 631	10 181 990
Bank statement and cash book balance at the end of the year	<u>11 301 414</u>	<u>10 804 631</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62363519251</i>		
Bank statement and cash book balance at the beginning of the year	12 394 732	11 976 639
Bank statement and cash book balance at the end of the year	<u>12 843 182</u>	<u>12 394 732</u>
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 9996-19832841: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	82 390	78 687
Bank statement and cash book balance at the end of the year	<u>86 227</u>	<u>82 390</u>
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 9997-19832841: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	143 598	137 191
Bank statement and cash book balance at the end of the year	<u>150 067</u>	<u>143 598</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 71039219855: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	54 653	54 529
Bank statement and cash book balance at the end of the year	<u>57 566</u>	<u>54 653</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 71186421337: Fixed Deposit</i>		
Bank statement and cash book balance at the beginning of the year	14 805 089	13 980 484
Bank statement and cash book balance at the end of the year	<u>15 641 105</u>	<u>14 805 089</u>
This investment has been ring-fenced to provide for funds which will be used to reimburse developers in terms of existing service level agreements.		

	2014 R	2013 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 31337173 - 9973: Fixed Deposit</i>		
Bank statement and cash book balance at the beginning of the year	11 650 828	11 473 020
Bank statement and cash book balance at the end of the year	<u>12 140 537</u>	<u>11 650 828</u>
This investment has been ring-fenced to provide for funds which will be used to reimburse developers in terms of existing service level agreements.		
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2072795649</i>		
Bank statement and cash book balance at the beginning of the year	10 382 634	-
Bank statement and cash book balance at the end of the year	<u>10 838 927</u>	<u>10 382 634</u>
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2073097787</i>		
Bank statement and cash book balance at the beginning of the year	10 223 299	-
Bank statement and cash book balance at the end of the year	<u>10 564 449</u>	<u>10 223 299</u>
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2073166734</i>		
Bank statement and cash book balance at the beginning of the year	10 179 425	-
Bank statement and cash book balance at the end of the year	<u>10 555 000</u>	<u>10 179 425</u>
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666451</i>		
Bank statement and cash book balance at the beginning of the year	10 501 030	-
Bank statement and cash book balance at the end of the year	<u>10 977 741</u>	<u>10 501 030</u>
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666452</i>		
Bank statement and cash book balance at the beginning of the year	20 781 293	-
Bank statement and cash book balance at the end of the year	<u>21 701 769</u>	<u>20 781 293</u>
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666453</i>		
Bank statement and cash book balance at the beginning of the year	10 218 614	-
Bank statement and cash book balance at the end of the year	<u>10 556 471</u>	<u>10 218 614</u>
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666454</i>		
Bank statement and cash book balance at the beginning of the year	10 171 493	-
Bank statement and cash book balance at the end of the year	<u>10 558 961</u>	<u>10 171 493</u>
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 412995079996</i>		
Bank statement and cash book balance at the beginning of the year	10 199 890	-
Bank statement and cash book balance at the end of the year	<u>10 587 549</u>	<u>10 199 890</u>

	2014 R	2013 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442037</i>		
Bank statement and cash book balance at the beginning of the year	10 168 438	-
Bank statement and cash book balance at the end of the year	10 546 986	10 168 438
Investments Bank Account <i>Absa Bank Account - Durban Branch</i> <i>Account Number 2074191310</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	10 199 987	-
Primary Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 53730256310: Cheque Account</i> <i>First National Bank Account - Ballito Branch</i> <i>Account Number 53730076916: Cheque Account</i>		
Cash book balance at the beginning of the year	26 912 615	24 307 466
Cash book balance at the end of the year	56 507 569	26 912 615
Bank statement balance at the beginning of the year	26 912 615	24 307 466
Bank statement balance at the end of the year	56 507 569	26 912 615
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62020550077: Cheque Account</i>		
Cash book balance at the beginning of the year	2 068 047	1 852 052
Cash book balance at the end of the year	2 055 338	2 068 047
Bank statement balance at the beginning of the year	2 068 047	1 852 052
Bank statement balance at the end of the year	2 055 338	2 068 047
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62015681225: Cheque Account</i>		
Cash book balance at the beginning of the year	23 542 599	24 686 256
Cash book balance at the end of the year	19 810 085	23 542 599
Bank statement balance at the beginning of the year	23 542 599	24 934 456
Bank statement balance at the end of the year	19 810 085	23 542 599
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62031878624: Cheque Account</i>		
Cash book balance at the beginning of the year	59 223	58 682
Cash book balance at the end of the year	60 157	59 223
Bank statement balance at the beginning of the year	59 223	58 682
Bank statement balance at the end of the year	60 157	59 223
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62031876800: Cheque Account</i>		
Cash book balance at the beginning of the year	19 761	12 833
Cash book balance at the end of the year	27 522	19 761
Bank statement balance at the beginning of the year	19 761	12 833
Bank statement balance at the end of the year	27 522	19 761

	2014 R	2013 R
18. CASH AND CASH EQUIVALENTS (continued)		
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62059290454: Cheque Account</i>		
Cash book balance at the beginning of the year	60 872	38 974
Cash book balance at the end of the year	85 099	60 872
Bank statement balance at the beginning of the year	60 872	38 974
Bank statement balance at the end of the year	85 099	60 872
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62059290561: Cheque Account</i>		
Cash book balance at the beginning of the year	16 781	10 757
Cash book balance at the end of the year	23 443	16 781
Bank statement balance at the beginning of the year	16 781	10 757
Bank statement balance at the end of the year	23 443	16 781
Electricity Main Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62080947941: Cheque Account</i>		
Cash book balance at the beginning of the year	21 736	14 184
Cash book balance at the end of the year	30 348	21 736
Bank statement balance at the beginning of the year	21 736	14 184
Bank statement balance at the end of the year	30 348	21 736
Electricity Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62080949301: Cheque Account</i>		
Cash book balance at the beginning of the year	48 117	30 912
Cash book balance at the end of the year	67 219	48 117
Bank statement balance at the beginning of the year	48 117	30 912
Bank statement balance at the end of the year	67 219	48 117
Gijima Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62115726525: Cheque Account</i>		
Cash book balance at the beginning of the year	-	697
Cash book balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	697
Bank statement balance at the end of the year	-	-
Grants Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62049936323: Cheque Account</i>		
Cash book balance at the beginning of the year	3 673 333	5 190 449
Cash book balance at the end of the year	6 284 405	3 673 333
Bank statement balance at the beginning of the year	3 673 333	5 190 449
Bank statement balance at the end of the year	6 284 405	3 673 333

	2014 R	2013 R
18. CASH AND CASH EQUIVALENTS (continued)		
Fines Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62079758268: Cheque Account</i>		
Cash book balance at the beginning of the year	627 969	404 343
Cash book balance at the end of the year	756 471	627 969
Bank statement balance at the beginning of the year	627 969	404 343
Bank statement balance at the end of the year	756 471	627 969
Grants Bank Account (2)		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 74303898107: Cheque Account</i>		
Cash book balance at the beginning of the year	70 995 456	44 181 130
Cash book balance at the end of the year	84 145 708	70 995 456
Bank statement balance at the beginning of the year	70 995 456	44 181 130
Bank statement balance at the end of the year	84 145 708	70 995 456
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62416012649: Cheque Account</i>		
Cash book balance at the beginning of the year	6 846 853	-
Cash book balance at the end of the year	11 775 369	6 846 853
Bank statement balance at the beginning of the year	6 846 853	-
Bank statement balance at the end of the year	11 775 369	6 846 853
Dolphin Coast TLC Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62416012649: Cheque Account</i>		
Cash book balance at the beginning of the year	-	305 069
Cash book balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	305 069
Bank statement balance at the end of the year	-	-
Petty cash and cash on hand	1 542 380	922 905
TOTAL CASH AND CASH EQUIVALENTS:	542 370 693	528 947 208

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
19. PROPERTY RATES		
<u>Actual</u>		
Residential	148 758 974	136 796 669
Commercial	55 653 862	51 116 313
Residential for commercial purposes	672 543	613 960
Education and State	3 349 466	3 159 802
Agriculture	2 252 429	1 951 062
Vacant	45 639 417	41 585 485
PSI	1 649 715	2 255 857
Total Assessment Rates	257 976 406	237 479 149
<u>Property Valuations</u>		
Residential	30 292 424 200	29 425 775 200
Commercial	3 802 954 000	3 691 735 000
Residential for commercial purposes	107 435 000	103 885 000
Education and State	379 328 000	379 328 000
Municipal	338 476 000	332 077 000
Agriculture	3 172 434 708	3 277 398 708
Vacant	2 889 610 400	2 796 352 400
Informal settlements	4 309 000	4 309 000
Land reform	567 395 000	515 151 000
Monuments	1 733 000	1 733 000
PSI	3 405 448 000	5 114 299 000
Worship / PBOS	165 359 000	164 723 000
Total Property Valuations	45 126 906 308	45 806 766 308
The last general valuation came into effect on:	02/07/2010	02/07/2010
Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2007		
Supplementary valuations are prepared on a biannual basis taking into account consolidations and subdivisions as well as property category changes		
Assessment rates: Cents in the rand on market valuation as follows:		
Residential, informal settlements, land reform, monuments	0.57000	0.53800
Residential for commercial purposes	0.62600	0.59100
Agricultural	0.14200	0.13400
Industrial, business and commercial, vacant, public infrastructure, state owned and worship	1.76600	1.66600
State owned	0.83300	0.83300
Guest houses	1.59000	1.50000
Public service infrastructure	0.14200	0.13400
The first R100 000 of the valuation of residential properties are exempt from the calculation of rates.		
The first 30% of the valuation of Public Service infrastructure properties are exempt from the calculation of rates		
Rebates:		
Improved special residential property	0%	0%
State property owners	0%	0%
Agricultural property & PSI	0%	0%
Residential used for commercial purposes	0%	0%
Industrial, business and commercial, and vacant	0%	0%
Land reform, worship, state land, PBO's, monuments, informal settlements and municipal owned property	100%	100%
Additional rebates applicable:		
Excluded services	15%	15%
All Pensioners		
Pensioners under 65 years	25%	25%
Pensioners between 65 & 75 years	30%	30%
Pensioners older than 75 years	35%	35%
Ballito Business Park Phase 3	0.00%	0.00%
Industrial incentives including:		
In first & second year thereafter phased out by 10% per annum	100%	100%
Residential Developers incentive		
In first & second year thereafter phased out by 10% per annum	100%	100%
Bonafide Agricultural properties	50%	50%

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
19. PROPERTY RATES (Continued)		
Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2012/2013 financial year:		
On an annual basis, by application, and the final date of payment being:	30 Sept 2013	28 Sept 2012
On a monthly basis, and the final dates of payment being the last working day of the month from August 2012 to June 2013		
Interest is levied on outstanding rates per annum at:	15.5%	15.5%
Plus collection charges two months after the final date of payment in respect of annual rate payers and 1 July in respect of monthly rate payers:	10%	10%
20. SERVICE CHARGES		
Sale of electricity	521 074 103	467 667 587
Refuse removal	47 634 339	42 644 732
Total Service Charges	568 708 442	510 312 319
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
21. GOVERNMENT GRANTS AND SUBSIDIES		
CONTINUED OPERATIONS		
Equitable Share	77 550 000	72 649 478
Municipal Infrastructure Grant	36 316 717	32 276 601
Financial Management Grant	1 808 946	2 043 585
Department of Minerals and Energy	4 813 272	-
Municipal Systems Improvement Grant	1 563 806	861 808
New Library Grant	224 801	117 883
Department of Sports and Recreation	62 417	39 514
CBD Revitalization	64 101	132 526
Municipal Assistance Programme	-	1 382 456
Museum	370 604	668 423
Ilembe Shared Services Grant	12 339	309 772
Neighbourhood Development Partnership Grant	7 694 292	2 907 000
Thusong Centre Grant	334 542	142 455
Multi Purpose Centre Grant	241 148	206 512
Ethembeni / Charlotdale Precent	216 758	20 000
Expanded Public Works Programme	1 474 484	396 062
Corridor Development	4 208 058	1 228 827
Housing Accreditation	694 094	-
Demand Side Management Grant	-	-
TOTAL: CONTINUED SERVICES	138 961 286	115 382 902
DISCONTINUED OPERATIONS		
Provincial Health Subsidies	-	-
Total Government Grant and Subsidies	138 961 286	115 382 902
Finance Management Grant (FMG) & Expanded Public Works Programme (EPWP) were withheld		
21.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	77 550 000	72 649 478
Conditions met – transferred to revenue	(77 550 000)	(72 649 478)
Conditions still to be met	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		

	2014 R	2013 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.2 Municipal Infrastructure Grant		
Balance unspent at beginning of year	23 696 547	20 824 147
Current year receipts	41 841 000	35 149 000
Conditions met - transferred to revenue	(36 316 716)	(32 276 600)
Conditions still to be met-transferred to liabilities (see note 8)	29 220 831	23 696 547
This grant was used for road infrastructure as part of upgrading of informal settlements.		
21.3 Financial Management Grant		
Balance unspent at beginning of year	258 946	802 531
Current year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 396 946)	(2 043 585)
Withheld by National Treasury	(412 000)	
Conditions still to be met-transferred to liabilities (see note 8)	-	258 946
This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. R412 000,00 was withheld by National Treasury.		
21.4 Land Use Management Systems Grant		
Balance unspent at beginning of year	107 000	107 000
Current year receipts	-	-
Conditions met - transferred to revenue	(107 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	-	107 000
Spatial development framework and land use management systems. No funds were withheld.		
21.5 Department of Minerals and Energy Grant		
Balance unspent at beginning of year	-	-
Current year receipts	5 000 000	-
Conditions met - transferred to revenue	(4 813 272)	-
Conditions still to be met-transferred to liabilities (see note 8)	186,728	-
This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.		
21.6 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	731 959	793 768
Current year receipts	890 000	800 000
Conditions met - transferred to revenue	(1 563 806)	(861 808)
Conditions still to be met-transferred to liabilities (see note 8)	58 153	731 959
This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.		
21.7 New Library Grant		
Balance unspent at beginning of year	91 149	18 232
Current year receipts	240 000	190 800
Conditions met - transferred to revenue	(224 801)	(117 883)
Conditions still to be met-transferred to liabilities (see note 8)	106 348	91 149
This grant was in construction of new KwaDukuza library. No funds were withheld.		

	2014 R	2013 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.8 Provincial Health Subsidies		
Balance to be refunded at beginning of year	-	(1 205 000)
Current year receipts	-	1 205 000
Expenditure claimed in accordance with grant conditions	-	-
	<hr/>	<hr/>
Grant claim outstanding - transferred to non-exchange receivables (see note 17)	<hr/> - <hr/>	<hr/> - <hr/>
The grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There are no delays or withholding of the subsidy.		
21.9 Property Rates Implementation		
Balance unspent at beginning of year	31 985	31 985
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
	<hr/>	<hr/>
Conditions still to be met-transferred to liabilities (see note 8)	<hr/> 31 985 <hr/>	<hr/> 31 985 <hr/>
This grant is for the communication of the Municipal Property Rates Act to the public. No funds were withheld.		
21.10 Department of Sports and Recreation		
Balance unspent at beginning of year	260 486	150 000
Current year receipts	-	150 000
Conditions met - transferred to revenue	(62 417)	(39 514)
	<hr/>	<hr/>
Conditions still to be met-transferred to liabilities (see note 8)	<hr/> 198 070 <hr/>	<hr/> 260 486 <hr/>
This grant is for the upgrading of the sports facilities: Chief Albert Luthuli Sports Field.		
21.11 CBD Revitalization		
Balance unspent at beginning of year	64 101	196 627
Current year receipts	-	-
Conditions met - transferred to revenue	(64 101)	(132 526)
	<hr/>	<hr/>
Conditions still to be met-transferred to liabilities (see note 8)	<hr/> - <hr/>	<hr/> 64 101 <hr/>
This grant is for the revitalization of the urban design framework for KwaDukuza central business district (CBD) to increase growth opportunities and investor confidence.		
21.12 Municipal Assistance Programme		
Balance unspent at beginning of year	822 902	2 205 358
Current year receipts	-	-
Conditions met - transferred to revenue	-	(1 382 456)
	<hr/>	<hr/>
Conditions still to be met-transferred to liabilities (see note 8)	<hr/> 822 902 <hr/>	<hr/> 822 902 <hr/>
This grant is for credit control and GRAP implementation.		
21.13 Museum		
Balance unspent at beginning of year	465 577	-
Current year receipts	284 000	1 134 000
Conditions met - transferred to revenue	(370 604)	(668 423)
	<hr/>	<hr/>
Conditions still to be met-transferred to liabilities (see note 8)	<hr/> 378 973 <hr/>	<hr/> 465 577 <hr/>
This grant is for the Museum expenditure incurred.		

	2014 R	2013 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.14 Department of Housing: RDP Housing		
Balance to be refunded at beginning of year	(172 134)	(39 925)
Current year receipts	(79 800)	(132 209)
Expenditure claimed in accordance with grant conditions		-
	<u>(251 934)</u>	<u>(172 134)</u>
Grant claim outstanding - transferred to non-exchange receivables (see note 17)		
Amount due by Department of Housing in respect of bridge financing of RDP project in terms of the HAC meeting 08/2005 approved by the MEC.		
21.15 Disaster Rough Seas		
Balance to be refunded at beginning of year	4 400 258	(395 814)
Current year receipts	-	4 796 072
Expenditure claimed in accordance with grant conditions	(1 203 908)	-
	<u>3 196 350</u>	<u>4 400 258</u>
This grant is from Department of Provincial Local Government for the clean up operations on the beaches.		
21.16 iLembe Shared Services		
Balance unspent at beginning of year	823 004	818 927
Current year receipts	-	313 849
Conditions met - transferred to revenue	(12 339)	(309 772)
Conditions still to be met-transferred to liabilities (see note 8)	<u>810 665</u>	<u>823 004</u>
This grant is for the hiring of a town planner for the KwaDukuza area.		
21.17 Neighbourhood Development Partnership		
Balance unspent at beginning of year	-	1 054 478
Current year receipts	23 000 000	2 907 000
Conditions met - transferred to revenue	(7 694 292)	(2 907 000)
Amounts withheld by National Treasury		(1 054 478)
Conditions still to be met-transferred to liabilities (see note 8)	<u>15 305 708</u>	<u>-</u>
This grant is for Infrastructure Development		
21.18 Thusong Centre		
Balance unspent at beginning of year	344 233	486 688
Current year receipts	-	
Conditions met - transferred to revenue	(334 542)	(142 455)
Conditions still to be met-transferred to liabilities (see note 8)	<u>9 692</u>	<u>344 233</u>
This grant is for community upliftment		
21.19 Multi Purpose Centre (MPCC)		
Balance unspent at beginning of year	310 561	517 073
Current year receipts	-	-
Conditions met - transferred to revenue	(241 148)	(206 512)
Conditions still to be met-transferred to liabilities (see note 8)	<u>69 414</u>	<u>310 561</u>
This grant is for community upliftment		

	2014 R	2013 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.20 Ethembeni / Charlotdale Precent		
Balance unspent at beginning of year	480 000	500 000
Current year receipts	-	-
Conditions met - transferred to revenue	(216 758)	(20 000)
Conditions still to be met-transferred to liabilities (see note 8)	263 242	480 000
This grant is for community upliftment		
21.21 Expanded Public Works Programme		
Balance unspent at beginning of year	603 938	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(870 484)	(396 062)
Amount withheld by National Treasury	(604 000)	
Conditions still to be met-transferred to liabilities (see note 8)	129 454	603 938
This grant is for community upliftment. R604 000,00 was withheld by National Treasury.		
21.22 Corridor Development		
Balance unspent at beginning of year	9 771 173	-
Current year receipts	-	11 000 000
Conditions met - transferred to revenue	(4 208 058)	(1 228 827)
Conditions still to be met-transferred to liabilities (see note 8)	5 563 115	9 771 173
This grant is for community upliftment		
21.23 Housing Accreditation Grant		
Balance unspent at beginning of year	6 846 000	-
Current year receipts	4 972 800	6 846 000
Conditions met - transferred to revenue	(694 094)	-
Conditions still to be met-transferred to liabilities (see note 8)	11 124 706	6 846 000
This grant is for community upliftment		
21.24 Demand Side Management Grant		
Balance unspent at beginning of year	8 000 000	-
Current year receipts	-	8 000 000
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	8 000 000	8 000 000
This grant is for community upliftment		

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	2014 R	2013 R
22 EMPLOYEE RELATED COSTS		
CONTINUED OPERATIONS		
Employee related costs - Salaries and Wages	129 131 891	113 691 904
Contributions to UIF, medical, pension benefits, WC and levies	41 282 559	40 216 972
Travel, motor car, accommodation, subsistence and other allowances	10 012 926	9 351 155
Housing benefits and allowances	528 854	562 395
Overtime, standby and rations payments	32 228 961	23 849 010
Leave pay and leave bonus payments	14 256 089	13 043 762
TOTAL: CONTINUED SERVICES	227 441 281	200 715 198
DISCONTINUED OPERATIONS		
Provincial Health Services - Clinics	-	2 132 640
TOTAL EMPLOYEE RELATED COSTS	227 441 281	202 847 838
Included in the employee related costs are the following:		
<u>Remuneration of the Municipal Manager</u>		
Total cost to Council	1 287 448	1 232 916
No performance bonus was payable to the Municipal Manager. Due to prolonged ill health, which led to him being absent without leave for 11 days, the municipal manager was not paid R44 965,00		
<u>Remuneration of the Chief Finance Officer</u>		
Annual remuneration	1 018 741	845 620
Car allowance	132 000	29 777
Contributions to UIF, medical and pension funds	297 905	278 683
Sub-Total	1 448 646	1 154 080
Backpay:		
Annual remuneration	46 412	-
Car allowance	51 111	-
Contributions to UIF, medical and pension funds	35 993	-
Total	1 582 163	-
The remuneration of the CFO was re-negotiated effective 01 January 2013 and details of backpay is included above.		
<u>Remuneration of Executive Directors</u>		
<u>Economic Development and Planning</u>		
Annual remuneration	781 346	649 141
Car allowance	96 000	96 000
Medical and pension funds	220 201	204 097
Total	1 097 547	949 239
<u>Technical Services</u>		
Annual remuneration	-	695 396
Car allowance	-	31 008
Medical and pension funds	-	90 043
Total	-	816 447
The previous Executive Director of Technical Services retired on the 30 June 2010. The post was vacant for a period of seventeen months. The post was subsequently filled on the 12 December 2011. The Executive Director of Technical Services was charged with misconduct and vacated his post on 10 May 2013. The Director: Special Projects has since been acting in this post from 27 September 2012 to 31 May 2014		
<u>Corporate Services</u>		
Annual remuneration	951 705	768 016
Car allowance	96 000	96 000
Medical and pension funds	29 642	27 729
Total	1 077 348	891 745
<u>Municipal Services</u>		
Annual remuneration	961 638	903 194
Car allowance	95 849	95 849
Medical and pension funds	19 858	24 636
Total	1 077 346	1 023 679
<u>Corporate Governance</u>		
Annual remuneration	721 808	736 023
Car allowance	131 752	131 184
Medical and pension funds	239 640	219 750
Total	1 093 200	1 086 957
The Position of Executive Director of Corporate Governance was filled on the 01 June 2012.		

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	2014 R	2013 R
23. REMUNERATION OF COUNCILLORS		
Mayor	658 073	626 841
Deputy Mayor	583 908	505 898
Speaker	531 082	556 100
Mayoral committee members	4 410 828	4 068 273
Councillors	9 114 548	8 193 482
Councillors' pension contribution	1 309 315	1 179 563
Total Councillors' Remuneration	<u>16 607 754</u>	<u>15 130 157</u>
24. FINANCE COSTS		
Non-current liabilities	<u>11 601 150</u>	<u>8 134 555</u>
	<u>11 601 150</u>	<u>8 134 555</u>
25. BULK PURCHASES		
Electricity	<u>398 246 744</u>	<u>361 429 928</u>
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom and Nersa approved a 11.15% tariff hike in favour of Eskom.		
26. GENERAL EXPENSES		
Included in general expenses is the following: -		
CONTINUED OPERATIONS		
Free basic services - Refuse	11 781 722	11 112 445
Dump charges	8 664 748	9 895 502
Replacement of faulty meters	125 045	363 593
Indigent support - parks and gardens department	10 787 521	7 765 385
Indigent support - waste management department	2 930 067	2 269 870
Security services	7 929 473	4 562 034
Shark control expenditure	3 037 173	2 495 162
Call out to consumer complaints	8 208 942	6 840 278
Grant expenditure	90 972	150 719
Legal costs	3 843 770	3 320 750
Marketing	1 000 300	11 790
Audit fee - external audit	3 407 771	3 420 824
Bank charges	2 557 595	1 956 119
Insurance general	1 476 774	3 149 769
Refuse bags/contract	1 340 280	1 393 280
Free basic services - Electricity	9 658 782	7 620 635
Valuations & valuation rolls	1 498 771	1 259 122
Processing of fines	146 538	2 084 011
Subsidies - selling schemes	128 395	461 843
Lease - Office Machines & Equipment	431 637	322 015
Rent of Property / Offices / House	702 684	685 101
Revenue protection services	520 002	3 315 540
Ward Committee members	2 755 000	2 564 000
Mr Price Pro expenditure	2 567 274	2 298 288
Advertising	2 238 176	1 959 369
Printing, Stationery & postage	3 157 310	3 154 570
Subscriptions	1 981 665	1 610 932
Water & Sanitation	1 830 258	1 765 836
Sundry Oils & Fuels	5 847 107	4 779 125
Street lighting consumption	3 249 558	2 738 457
Staff & councillor training costs and bursaries	1 652 678	3 402 681
Travelling & subsistence	938 453	1 467 216
Telephone calls / rentals	2 614 232	3 876 083
Protective clothing	2 775 114	2 385 491
Shakaville landfill site expenditure	-	998 043
Sports development	457 174	624 846
Non standard service connection	1 580 500	890 730
Software support & licences and agreements	2 951 831	1 751 254
Adjustment to traffic fine debtor due to implementation of iGRAP 1	1 804 595	-
Other general expenses	26 744 548	17 260 990
TOTAL: CONTINUED SERVICES	<u>145 414 436</u>	<u>127 983 697</u>
DISCONTINUED OPERATIONS		
Provincial Health Services - Clinics	-	189 705
TOTAL GENERAL EXPENSES	<u>145 414 436</u>	<u>128 173 402</u>

	2014 R	2013 R
27. 27.1 CONTRACTED SERVICES		
Refuse removal	18 282 430	15 219 642
Grass cutting	4 984 671	4 320 332
Financial, assets and new GRAP standards support	1 902 971	1 622 178
Financial and Performance management (PMS) support	-	436 686
Project management fees and concept plan	167 500	250 000
Professional fees - disciplinary enquiry	-	231 717
Survey and facilitation fees for roads and housing projects	451 254	235 500
Advertising	451 782	147 253
Credit rating	-	90 000
Other	-	1 228
	26 240 607	22 554 536
27.2 Transfer made: MIG funding paid to Ilembe District Municipality	8 528 290	20 619 944
<p>The Minister of Finance has allocated funds via the National MIG Unit and which funds have been allocated to KwaDukuza Municipality. The KwaDukuza Municipality by way of a Special Council Resolution on 26 July 2012, agreed to fund bulk infrastructure for water and sanitation via the said MIG allocation to enable Ilembe District Municipality to supply the relevant bulk infrastructure water and sanitation to various housing projects being undertaken by KwaDukuza Municipality. KwaDukuza Municipality has allocated an amount of R20 million from their MIG Grant funding for the 2013/2014 financial year for this project. R8 528 290 has been transferred to Ilembe District Municipality in the 2013/2014 financial year.</p>		
28. OTHER INCOME		
Included in other income is the following: -		
CONTINUED OPERATIONS		
Contributions demand based	10 941 985	12 892 259
Building plan fees	7 243 518	3 987 761
Sundries	2 925 560	546 603
Electricity availability	2 136 358	1 821 285
Non standard service connection	489 820	638 355
Disconnection / reconnection fees	737 500	920 130
Contribution in lieu of parking	45 854	394 445
Roads master plan	229 177	173 835
Sale of redundant stock	-	585 750
Sale of electricity street lights for housing estates	5 774 966	4 447 804
Proceeds from insurance	2 809 580	1 908 088
Bid / Tender documents	584 335	1 042 930
Tampering fees	184 500	713 000
Electrical call out fees	35 775	642 467
Rates certificates	586 115	507 922
Admin charges	1 176 522	1 069 564
Library subsidy	2 690 000	1 281 000
Burial fees	481 672	407 634
Other income	6 775 205	6 949 763
Assets not previously recognised	-	33 545 598
TOTAL: CONTINUED SERVICES	45 848 445	74 476 195
DISCONTINUED OPERATIONS		
Provincial Health Services - Clinics	-	1 391
TOTAL OTHER INCOME	45 848 445	74 477 587

	2014 R	2013 R
29. UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
29.1 Irregular Expenditure:		
Opening Balance	62,436,990	17,002,222
Goods and/or services not procured through competitive bidding processes.	316 693	1 120 971
Copies of contracts could not be located and made available to audit	10 904 329	3 299 195
Non-submission of tax clearance certificates and / or declarations of interest by suppliers	-	44 609
Irregular expenditure 2012/2013 pertaining to grass cutting contracts approved by Council and awaiting National Treasury condonement	20 599 582	19 071 222
Irregular expenditure due to conducting business with persons in the service of the state	3 570 952	-
Section 36 approvals subsequently reclassified as irregular expenditure. Refer to Note 32.7	-	1 278 827
Irregular expenditure relating to procurement and contract management	97 828 546	41 817 046
Unauthorised MIG transfer to Ilembe District Municipality	8 364 825	20 619 944
Irregular expenditure written off by council	(55 083 136)	-
Closing Balance	51,110,235	62,436,990
The comparative has been reduced by R4 605 570.21 as the tender documents for one of the contracts was located.		
The condonement from National Treasury is awaited.		
29.2 Fruitless and Wasteful Expenditure:		
Opening Balance		
The following expenditure is deemed to be fruitless and wasteful and the provisions of Sections 32(2) will be complied with in due course:		
B P B Sindi Construction: Capital and Interest - 2011		1,846,196
Payment for Ethafeni Housing Project for R1 010 540.71 was made as bridging finance until such refund will be claimed from the erstwhile Department of Housing. It is a further resolution of Council that should the Department of Housing not pay the amount claimed, or underpay the amount claimed, the Executive Director: EDP source internal funding to liquidate the debt. The effective date of the said payment was 16 February 2007 and to date no refund has been received whilst accumulating interest.		
Subject to an investigation in terms of Section 32 of the MFMA, recoverability and possible criminal or disciplinary steps will be determined.		
Khayelihle Projects: Capital and Interest - 2011		1,835,112
Settlement was reached after a provisional sentence summons was issued in favour of Advidata Trading 459 CC Trading as Khayelihle Projects as the plaintiff by the High Court in KwaZulu Natal. The dispute related to contractual obligations of low cost housing foundations and VIP toilet pits. The Capital portion of the payment was R1 782 065.05.		
Subject to an investigation in terms of Section 32 of the MFMA, recoverability and possible criminal or disciplinary steps will be determined.		
Dematrans Logistics - 2012		26,750
Payment was made to Dematrans Logistics, although the service was not rendered		
Subject to an investigation in terms of Section 32 of the MFMA, recoverability and possible criminal or disciplinary steps will be determined.		
The above fruitless and wasteful expenditure is disclosed as part of Receivables from Non-Exchange Transactions and have been fully impaired subject to the outcomes of Section 32 of the MFMA.		
Closing Balance		3,708,058

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	2014 R	2013 R
30. CASH GENERATED BY OPERATIONS		
Surplus for the year	138 231 692	154 296 512
Adjustment for: -		
Amortisation: Intangible assets	2 375 177	2 515 404
Depreciation: Property, Plant and equipment	40 201 360	33 828 672
Impairment loss	7 015 752	5 705 346
Gain on disposal of asset	84 105	-
Loss on disposal of property, plant and equipment	-	4 537 732
Contribution to provisions - non-current	5 136 294	3 301 592
Contribution to provisions	-	100 000
Assets not previously recognised	(451 372)	(4 222 087)
Assets donated	(5 024 977)	(18 428 975)
Contribution to retirement benefit obligation	5 058 490	3 982 436
Contribution to long service award benefits	964 029	1 726 995
Increase / (Release from) allowance for impairment	11 918 637	(499 019)
Fair value adjustment : Investment properties	(10 445 000)	(1 445 000)
Investment income	(21 700 289)	(21 098 672)
Provision for future Housing discounts utilized	717 962	-
Finance costs	11 601 150	8 134 555
Operating surplus before working capital changes:	185 683 011	172 435 491
(Increase)/decrease in inventories	(2 878 451)	(338 349)
(Increase)/decrease in exchange receivables	(11 554 361)	(9 853 034)
(Increase)/decrease in non-exchange receivables	(1 312 292)	(1 527 204)
Increase/(decrease) in conditional grants and receipts	(17 366 514)	29 603 006
Increase/(decrease) in Trade and Other Payables	13 014 452	5 664 927
Decrease in short term portion of long term receivables	-	823 316
(Increase)/decrease in VAT receivable	(595 421)	7 883 147
Debtors impairment VAT movement - Note 16		
Cash generated by operations	164 990 424	204 691 301
31. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	542 370 693	528 947 208
Call investment deposits	-	-
Total cash and cash equivalents at the end of the year	542 370 693	528 947 208
32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>32.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions	1 980 437	1 609 944
Additional subscriptions in respect of 2012/2013 & 2011/2012	287 811	
Amount paid - current year	(1 980 437)	(1 609 944)
Amount paid - previous years	(287 811)	
Balance unpaid (included in creditors)	-	-
<u>32.2 Audit fees</u>		
Opening balance	-	-
Current year audit fee	3 884 859	3 422 655
Amount paid - current year	(3 884 859)	(3 422 655)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

	2014 R	2013 R
32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
<u>32.3 VAT</u>		
Vat received for the year	<u>28 404 141</u>	<u>21 158 761</u>
VAT paid for the year	<u>(1 212 876)</u>	<u>(5 886 626)</u>
VAT inputs receivables and VAT outputs payable are shown in note 9. All VAT returns have been submitted by the due date throughout the year.		
<u>32.4 PAYE and UIF</u>		
Opening balance	29 416 851	27 933 132
Current year payroll deductions	(29 416 851)	(27 933 132)
Amount paid - current year		
Amount paid - previous years	<u>-</u>	<u>-</u>
Balance unpaid (included in creditors)		
<u>32.5 Pension and Medical Aid Deductions</u>		
Opening balance	49 879 534	46 812 154
Current year payroll deductions and Council Contribution	(49 879 534)	(46 812 154)
Amount paid - current year		
Amount paid - previous years	<u>-</u>	<u>-</u>
Balance unpaid (included in creditors)		
<u>32.6 Councillor's arrear consumer accounts as at 30 June 2014</u>		
In terms of S124 (1) (b) the following particulars are disclosed in respect of any arrears owed by individual councillors during the financial year:		
<i>Councillor: S Anamaly</i>		
Nature of Arrears;		Rates & Services
Arrears during the year (Highest):		10 864
Arrears as at 30 June 2014		2 258
Oldest ageing as at 30 June 2014		120 days
<i>Councillor: S Anamaly</i>		
Nature of Arrears;		Rates & Services
Arrears during the year (Highest):		5 707
Arrears as at 30 June 2014		4 437
Oldest ageing as at 30 June 2014		360 days
<u>32.7 Supply chain management deviations</u>		
Emergency	2 575 477	5 664 249
Sole provider	1 066 392	-
Acquisition of special works of art or historic objects where specifications are difficult to compile	1 296 500	-
In any other exceptional case where it is impractical to follow the official procurement process	1 057 660	-
	<u>5 996 030</u>	<u>5 664 249</u>
Section 36 deviations transferred to Irregular Expenditure	-	1,278,827

	2014 R	2013 R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
<u>32.8 Material losses incurred</u>		
Electricity Distribution Losses		
Technical Losses	44 797 593	40 516 293
Non Technical Losses	16 941 635	5 606 028
Technical and non technical electricity distribution losses	61 739 229	46 122 321
Percentage energy losses	15%	12.61%
Non technical losses are generally the result of, but not limited to, theft of electricity by means of illegal connections and unbilled consumers . Internal controls are in place and are being maintained which minimises the risk of unbilled consumers. No disciplinary action will be taken as the losses incurred are not due to negligence. 91,37 million kilowatts have been lost due to electricity distribution losses.		
33. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for:	275 175 169	236 321 641
Infrastructure	266 474 603	220 549 580
Community	8 700 566	15 772 062
Intangible	-	-
34. CONTINGENT LIABILITIES		
34.1 Reimbursement of capital costs of bulk supply to developers	172 100 799	172 100 799
34.2 Municipality is being sued arising out of a minor child sustaining injuries allegedly after being electrocuted when she touched a light pole in Hulett Street	100 000	100 000
34.3 Wage Curve Judgement - The labour court upheld a wage curve agreement between the collective bargaining parties i.e.) SALGA, SAMWU AND IMATU, signed in April 2010, dealing with different categories of municipalities. Under the agreement, some workers would receive back pay from September 2009. SALGA has however filed leave to appeal the court decision. Should the court rule in favour of the Union, it is estimated that the possible further payroll costs of R15 395 127 will have to be borne by the municipality.	-	15 395 127
34.4 Nyathi Sugar Ridge CCis suing the municipality due to losses incurred by a damaged electrical pole setting alight the sugar cane.	188 667	188 667
34.5 Municipality is being sued by S Govender pertaining to a collision involving a vehicle owned by the Municipality	49 000	49 000
34.6 Municipality is being sued by Body Corporate Chakas Place for the removal of public toilets that are in front of the applicants building	150 000	150 000
34.7 Claim against the municipality for tyre damage	-	12 500
	172 588 466	187 996 093

Wage Curve Judgement;

The application brought by the Unions to the Constitutional Court was dismissed as the court was of the opinion that the unions had no prospect of success proceeding with the matter in the Constitutional Court. The matter of the wage curve dispute is therefore ultimately finalized after a number of years of seeking possible solutions and the legal processes.

	2014 R	2013 R
36. CORRECTION OF ERROR		
The comparatives for 2012/13 have been restated in respect of the following errors:		
36.1 Errors for accounting for Property, Plant and Equipment (Note 10)		
Property Plant & Equipment as previously reported		812 608 558
Adjustments to assets as per restated Note 10 2013		30 493 019
Restated balance as at 30 June 2013		843 101 577
36.2 Restatement of Intangible Assets (Note 11)		
Intangible Assets as previously reported		13 320 317
Correction of prior year Intangible assets as per restated Note 11		32 365
Restated balance as at 30 June 2013		13 352 682
36.3 Restatement of non-exchange receivables (Note 17)		
Non - exchange receivables as previously reported		27 792 349
Adjustments to Rates Revenue 2012/13 in respect of Valuation Appeals		1 098 686
Adjustments to Rates Revenue prior to 2012/13 in respect of Valuation Appeals		289 636
Restated balance as at 30 June 2013		29 180 671
36.4 Restatement of Trade & other payables (Note 7)		
Trade & other payables as previously reported		159 904 126
Adjustment to sundry deposits previously recognised as revenue		7 291
Adjustment to SALGA subscriptions		287 811
Adjustment to Roads Masterplan previously recognised as revenue		61 434
Adjustment to Rental Income previously recognised as revenue		8 390
Adjustment to employee backpay claims		(595 226)
Restated balance as at 30 June 2013		159 673 826
36.5 Restatement of Investment Properties (Note 12)		
Investment Properties as previously reported		65 285 000
Recognition of ERF 517 Ballito - Lions Club - Prior 2012/2013		4 000 000
Fair value adjustment of ERF 517 Ballito - Lions Club 2012/2013		500 000
Restated balance as at 30 June 2013		69 785 000
36.6 Restatement of Surplus for the year		
Surplus for the year as previously stated		119 097 627
Other income:		
Adjustment to Roads masterplan previously recognised as revenue		(61 434)
Adjustment to Street lights not previously recognised		32 629 397
Adjustment to Leases not previously recognised		160 740
Adjustment to previously disposed assets		755 461
Amortisation		
Adjustment to Amortisation on zero book value assets		32 365
Rental Income		
Adjustment to Rental Income previously recognised as revenue		(1 570)
General Expenses		
Adjustment to SALGA subscriptions as a result of recalculation		(152 809)
Adjustment to lease expenses		(13 100)
Employee related costs:		
Reversal of employee backpay claims		595 226
Fair value adjustment of Investment Properties		
Fair value adjustment of Investment Property ERF 517 Ballito - Lions Club		500 000
Property rates:		
Adjustments to Rates Revenue 2012/13 in respect of Valuation Appeals		1 098 686
Depreciation;		
Adjustment to depreciation on Palisade fencing		1 659
Adjustment to depreciation on incorrectly capitalised AUC items		13 954
Adjustment to depreciation of AUC items reclassified to buildings		(29 578)
Adjustment to depreciation of assets previously disposed now brought into use		(119 365)
Adjustment to depreciation 2012/2013 on street lights not previously recognised		(815 727)
Adjustment to depreciation 2012/2013 on Leases not previously recognised		(53 580)
Adjustment to depreciation on leases - zero book value		39 060
Adjustment to depreciation on Furniture & Fittings - zero book value		466 521
Adjustment to depreciation on Electricity - zero book value		3 328
Adjustment to depreciation on vehicles - zero book value		151 879
Adjustment to depreciation on assets previously classified as AUC		(2 228)

	2014 R	2013 R
Restated balance as at 30 June 2013		<u>154 296 512</u>

37. EVENTS AFTER THE REPORTING DATE

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NERSA approved a 11.15% increase in Eskom bulk purchase tariffs which will have a significant effect on future revenues and expenditure.

38. EXPLANATION OF VARIANCES DISCLOSED IN THE BUDGET STATEMENT

Variance (1) between Original and Final Budget:

38.1 Property Rates

No adjustment was made to Property Rates but rather an adjustment of R2 337m to Penalties & Collection Charges. During the mid-term review, financial indicators realised improved collection on outstanding debt, which prompted a decrease in Penalties and collection charges.

38.2 Service charges

Taking into account the various increases and decreases within the electricity revenue votes during the mid-term review, it was anticipated that there will be an overall decrease in revenue from service charges.

38.3 Investment Revenue

During the budget process, it was established that a major portion of cash held as investments will be used as a source of funding for capital expenditure funded internally. This resulted in the assumption that there will be a drastic decrease in investment revenue. Sighting the low spending on the capital budget, the budget for investment revenue was adjusted upwards.

38.4 Transfers recognised - operational

Various operation roll-over applications were approved by National Treasury which required the budget to be adjusted.

38.5 Other own revenue

The different other revenue streams were reviewed and adjusted accordingly.

38.6 Employee Related Costs

5% new prioritised posts added to the budget

38.7 Debt Impairment

Debtors were profiled for the recalculation of debt impairment - based on improved collection rates the debt impairment reduced by R3 million.

38.8 Depreciation and asset Impairment

Depreciation budget adjusted by R23 325 million due to revised calculations on assets under construction which was to be release to PPE.

38.9 Finance Charges

DBSA loan drawdowns schedules were amended resulting in shifting of funds to be drawn down.

38.10 Other Expenditure

The expenditure was reviewed and in consultation with directorates adjusted accordingly

38.11 Contributions recognised - Capital

Adjustment to Capital Budget to bring in MIG roll-over which had been approved by National Treasury.

2014
R

2013
R

38

**EXPLANATION OF VARIANCES DISCLOSED IN THE BUDGET STATEMENT
(Continued)**

Variance (2) between Final Budget and Actual Outcome

38.12 Property Rates

Decrease in actual revenue due by R5,8m, all rates revenue was not realised as anticipated. There has been various outcomes by the Valuation Appeal Board.

38.13 Service charges

Decrease in electricity sales due to meter tampering and electricity theft and also a reduction in consumption due to the increasing costs of electricity eg. installation of solar geysers etc.

38.14 Investment Revenue

Investment revenue has increased by R9.4 million as compared to final budget figures due to slow spending on capital projects.

38.15 Transfers recognised - operational

Certain expenditure that was funded by Government Grants did not materialise .

38.16 Other own revenue

Implementation of iGRAP1 for revenue recognition of fines and various other income streams have contributed to the increase in other own revenue

38.17 Employee Related Costs

9% prioritised posts and resignations not filled due to moratorium passed by Council

38.18 Debt Impairment

Debtors were profiled as at 30 June 2014. Subsequent receipt testing was done and Management is of the opinion that the provision not be adjusted.

38.19 Depreciation and asset Impairment

The variance is minor

38.20 Finance Charges

The DBSA loan drawdown schedule amended to shift funds to outer year due to slow capital spending.

38.21 Other Expenditure

Significant projects and plans that were budgeted for and were to be implemented in the third and fourth quarter, did not materialise.

38.22 Transfers recognised - Capital

Significant underspending on Municipal Infrastructure Grant (MIG), NDPG and other Capital Grants

38.23 Total capital transfers recognised

Mig roll over approved by National Treasury and adjusted accordingly

38.24 Borrowings

Unspending on Capital that was financed by borrowings

38.25 Internally generated funds

MIG projects counter funding was shifted to a multiyear allocation due to its progress.

38.26 Total capital transfers recognised

Under-spending on the Corridor Funding grant, Demand Side Management Grant, NDPG & MIG.

38.27 Borrowings

Low expenditure on the electrical infrastructure projects which resulted on roll over of funds across the MTREF.

38.28 Internally generated funds

Underspending on MIG internal funding and also general capital that were funded internally

	2014 R	2013 R
39. RELATED PARTIES		
39.1 COUNCILLOR: R SINGH		
<u>Expenditure:</u>		
General Expenses for the year	4 357 739	4 317 285
Nature of transaction: The Council has entered into a contract for grass cutting with a relative of the Councillor.		
Balance outstanding at year end:	Nil	Nil
39.2 STAFF MEMBER: G GIBBON		
<u>Expenditure:</u>		
General Expenses for the year	-	4 400
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.3 STAFF MEMBER: P NAIDOO		
<u>Expenditure:</u>		
General Expenses for the year	125 422	142 549
Nature of transaction: The Council has entered into a contract with the father of the employee for the sale of prepaid electricity		
Balance outstanding at year end:	Nil	Nil
39.4 STAFF MEMBER: P MURUGAN		
<u>Expenditure:</u>		
General Expenses for the year	461 823	681 866
Nature of transaction: The brother of the employee provides pest control services to the municipality		
Balance outstanding at year end:	Nil	Nil
39.5 COUNCILLOR: B B SINGH		
<u>Expenditure:</u>		
General Expenses for the year	433 143	311 264
Nature of transaction: The spouse of the councillor owns a travel agency. Council conducts business with this CC.		
Balance outstanding at year end:	Nil	Nil
<u>Expenditure:</u>		
General Expenses for the year	362 194	450 422
Nature of transaction: The municipality awarded a tender to Singh's Fruit & Veg for prepayment electricity to the spouse of the councillor.		
Balance outstanding at year end:	Nil	Nil
Total value of related parties	5 378 127	5 457 364
Payments of remuneration to senior managers and councillors - details of payments are set out in Notes 23 & 24		

	2014 R	2013 R
40. LEASES		
OPERATING LEASES		
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:		
No later than 1 year	530 712	505 440
Later than 1 year and no later than 5 years	2 401 809	2 287 437
Later than 5 years	5 514 895	6 159 979
	8 447 416	8 952 856
Salient leases		
The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.		
FINANCE LEASES		
Amounts payable under finance leases:		
Finance lease liability - Minimum lease payments		
No later than 1 year	219 856	439 930
Later than 1 year and no later than 5 years	14 295	234 151
Later than 5 years	-	-
Future Finance charges on finance leases	(14 953)	(71 150)
Present Value of finance lease liability	219 198	602 931
Present Value of Minimum Lease Obligations		
No later than 1 year	205 728	383 734
Later than 1 year and no later than 5 years	13 470	232 297
Later than 5 years	-	-
	219 198	616 031
Finance Lease Liabilities relates to Furniture and Fittings with lease terms of 3 to 5 years. The effective interest rate on Finance Leases is between 13,50% and 19,00%. Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.		
The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.		
41. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION		
Long-term liabilities - facilities granted	160 917 999	92 783 439
Used to finance property, plant and equipment - at cost	160 917 999	92 783 439
Undrawn facilities	-	-
DBSA R255 185 427 loan	139 055 871	207 279 455
ABSA R21 544 000 loan	9 202 898	11 366 923
	148 258 768	218 646 378
Facilities Granted / Not yet utilized	148 258 768	218 646 378
42. ANALYSIS OF THE RESULT OF DISCONTINUED OPERATIONS		
Revenue	-	1 391
Expenditure	-	2 393 999
Loss attributable to discontinued services	-	2 392 607
43. ANALYSIS OF THE CASH FLOW OF DISCONTINUED OPERATIONS		
Operating cash flows	-	(2 392 607)
Investing cash flows	-	-
Financing cash flows	-	-
	-	(2 392 607)

44. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk.

The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

44.1 *Maximum credit risk exposure*

Credit rate risk consist mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevent financial instruments is as follows (domestic exposure only)

	2014 R	2013 R	2012 R
Investments	-	-	-
Cash and Cash Equivalents	542,370,693	528,947,208	403,343,124
interest rate swaps	-	-	-
Financial guarantees	-	-	-
Trade and other receivables	100,650,931	87,797,198	75,466,238
Maximum Credit Exposure	643,021,624	616,744,406	478,809,363

44.2 *Liquidity risk*

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the undislosed cash flows.

2014	1 month or less	1-3 months or less
Gross finance lease obligations	25,371	49,558
Long Term Borrowings	263,873	3,522,816
Trade and other payables	-	-
Other	-	-
2014	3-12 months or less	1-5 years
Gross finance lease obligations	140,629	14,295
Long Term Borrowings	24,501,164	297,836,496
Trade and other payables	172,631,808	-
Other	-	-
2013	1 month or less	1-3 months or less
Gross finance lease obligations	41,606	83,109
Long Term Borrowings	263,873	3,518,049
Trade and other payables	159,673,826	-
Other	-	-
2013	3-12 months or less	1-5 years
Gross finance lease obligations	315,111	219,856
Long Term Borrowings	21,024,681	326,124,349
Trade and other payables	-	-
Other	58,109,820	-

44.3 *Interest rate risk*

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

	2014 R	2013 R	2012 R
Call deposits	-	-	-
Investment deposits	-	-	-
Bank balances and cash	542,370,693	528,947,208	413,543,111
Maximum Interest exposure	542,370,693	528,947,208	413,543,111

44.4 *Other price risk*

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2014

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/2013	Received during the year	Redeemed / Adjustments / (Interest Capitalised) during this period	Balance at 30/06/2014
		%		R	R	R	R
Non Annuity Loans							
Loan DBSA R43M	101267/1	8.58%	31/03/2026	27 079 589		2 083 045	24 996 543
Loan INCA R5 900 000	KWAD 00-0005	9.09%	31/05/2015	2 579 227		1 289 806	1 289 421
Loan ABSA R3100 000	30-3124-5686	8.73%	01/06/2020	2 432 335		265 086	2 167 249
Loan ABSA R900 000	30-3123-2295	8.23%	01/06/2015	450 104		169,239	280 865
Loan INCA R6800 000	KWAD 00-0006	9.02%	30/06/2015	3 090 348		1,475,794	1 614 554
Loan ABSA R21.544M	30-3593-5306	7.96%	30/06/2017	17 925 481		3 971 469	13 954 012
Loan DBSA R28.9M	61006918/19	9.73%	30/09/2030	28 703 342	40 266 411	1 962 588	67 007 165
Loan DBSA: R5.888	61006918/19	9.73%	31/12/2032	5 768 844	41 018 055	1 006 502	45 780 397
Total Non Annuity Loans				88 029 268	81 284 467	12 223 530	157 090 205
Annuity Loans							
Loan Development Bank Of SA	10580/204	12.00%	30/09/2017	296 540	-	53 148	243 391
Loan Development Bank Of SA	11165/102	15.75%	30/09/2017	3 772 426	-	631 055	3 141 372
Loan Development Bank Of SA	13527/103	16.50%	30/09/2014	184 035	-	117 751	66 284
Loan Development Bank Of SA	11577/102	13.45%	30/06/2014	1 925	-	1 925	-
Loan Development Bank Of SA	9879/102	12.00%	30/09/2016	499 245	-	122 497	376 747
Total Annuity Loans				4 754 170	-	926 376	3 827 794
TOTAL EXTERNAL LOANS				92 783 439	81 284 467	13 149 906	160 917 999

	COST /REVALUATION								ACCUMULATED DEPRECIATION						
	Opening Balance	Additions	Under Construction	Assets fair valued	Assets Donated	Disposals	Transfers	Closing Balance	Restated Opening Balance	Additions	Disposals	Impairment	Transfers	Closing Balance	Carrying Value
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure Roads	291,542,451	38079879	-	-	560,099	-239,993	-	329,942,436	-119,979,252	-9,167,805	216,709	-587,621	-	129,517,969	200,424,467
Buildings	101,477,100	8,782,973	-	-	488,599	-	-	110,748,672	-25,438,276	-5,260,343	-	-	-	30,698,619	80,050,053
Cemetries	5,331,572	236,372	-	-	-	-	-	5,567,944	-1,037,535	-247,796	-	-	-	1,285,331	4,282,613
Solid Waste	2,677,771	-	-	171,486	-	-107	-	2,849,150	-355,668	-156,837	22	-	-	512,483	2,336,667
Housing Assets	8,052,000	195,118	-	-	-	-	-	8,247,118	-4,677,294	-233,897	-	-	-	4,911,191	3,335,927
Stormwater Infrastructure	121,504,449	11875812	-	-	-	-	-	133,380,261	-31,009,075	-3,330,164	-	-2,183,367	-	36,522,606	96,857,655
Developed Land	34,677,449	-	-	-	-	-	-	34,677,449	-	-	-	-	-	-	34,677,449
Electricity Infrastructure	415,764,938	48,373,846	-	-	3,750,632	-503,804	-	467,385,612	-157,072,240	-12,235,289	272,964	-4,095,262	-	173,129,827	294,255,785
Vehicles	43,358,191	8,620,512	-	7,635	-	-165,805	-	51,820,533	-25,780,600	-2,787,942	121,876	-26,903	-	28,473,569	23,346,964
Leased Assets	1,697,232	-	-	-	-	-11,492	-	1,685,740	-988,529	-453,847	10,656	-	-	1,431,720	254,020
Undeveloped Land	76,545,700	-	-	-	-	-23,000	-	76,522,700	-	-	-	-	-	-	76,522,700
Assets under Construction	88,503,906	230,637,776	-	-	-	-	-98,487,304	220,654,378	-	-	-	-	-	-	220,654,378
Furniture and Fittings	33,720,207	4,720,165	-	35,642	225,646	-1,374,052	-	37,327,608	-15,426,018	-6,327,442	1,098,480	-122,599	-	20,777,579	16,550,029
	1,224,852,966	351,522,453	-	214,763	5,024,976	-2,318,253	-98,487,304	1,480,809,601	-381,764,487	-40,201,362	1,720,707	-7,015,752	-	427,260,894	1,053,548,707

KWADAKUZA MUNICIPALITY

UNAUDITED APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2014

		COST / REVALUATION					ACCUMULATED DEPRECIATION					
		OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE		OPENING BALANCE	ADDITIONS	DISPOSALS	IMPAIRMENT	CLOSING BALANCE	CARRYING VALUE
001	EXECUTIVE AND COUNCIL	79 841 754	1 696 423	(39 205)	81 498 972		5 795 912	757 130	(33 580)	484	6 519 946	74 979 026
002	FINANCE AND ADMINISTRATION	12 723 616	1 670 694	(261 719)	14 132 591		5 800 216	1 670 601	(239 296)	20,322.32	7 251 843	6 880 747
003	PLANNING AND DEVELOPMENT	55 707 478	7 270 172	(197 196)	62 780 454		14 244 056	3 665 521	138 262	20 887	18 068 728	44 711 727
004	HEALTH				-						-	-
005	COMMUNITY AND SOCIAL SERVICES	120 600 338	3 088 498	(150 449)	123 538 387		13 512 850	3 182 147	(85 430)	632	16 610 199	106 928 188
006	HOUSING	672 323	49 769	(589)	721 503		439 810	48 560	(554)		487 816	233 688
007	PUBLIC SAFETY	29 154 953	3 563 766	(623 803)	32 094 917		15 098 015	2 194 648	(477 098)	71 731	16 887 295	15 207 622
008	SPORTS AND RECREATION	13 093 370	6 013 468		19 106 837		1 135 164	452 719			1 587 883	17 518 954
009	WASTE MANAGEMENT	7 361 104	5 418 433	(7 265)	12 772 272		3 566 871	257 727	(5 385)	17 749	3 836 962	8 935 310
010	ROAD TRANSPORT	481 126 065	136 030 340	(1 963 573)	615 192 831		161 326 880	13 992 160	(527 207)	2,778,497.30	177 570 331	437 622 501
011	ELECTRICITY	424 571 965	95 156 722	(757 850)	518 970 837		160 844 714	13 980 147	(490 418)	4,105,448.83	178 439 892	340 530 945
Grand Total		1 224 852 965	259 958 285	(4 001 649)	1 480 809 602		381 764 488	40 201 359	(1 720 706)	7 015 752	427 260 894	1 053 548 708

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UNAUDITED APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual Revenue R	2013 Actual Expenditure R	2013 (Surplus)/ Deficit R		2014 Actual Revenue R	2014 Actual Expenditure R	2014 (Surplus)/ Deficit R
(118 889 676)	62 155 568	(56 734 109)	Executive and Council	(111 295 323)	66 668 798	(44 626 525)
(313 563 856)	99 919 998	(213 643 859)	Finance and Administration	(317 149 488)	87 935 263	(229 214 225)
(5 098 522)	26 475 057	21 376 535	Planning and Development	(10 450 361)	27 974 112	17 523 751
(3 028)	5 496 772	5 493 744	Health		4 014 639	4 014 639
(2 931 992)	16 389 899	13 457 908	Community and Social Services	(4 935 367)	18 867 374	13 932 007
(692 448)	5 355 801	4 663 353	Housing	(2 265 403)	5 902 988	3 637 585
(6 499 455)	65 924 527	59 425 071	Public Safety	(23 746 852)	85 011 439	61 264 587
(597 204)	63 452 821	62 855 616	Sports and Recreation	(10 690 384)	74 387 641	63 697 257
(43 045 160)	54 222 799	11 177 639	Waste Management	(61 075 383)	57 268 857	(3 806 526)
(24 854 541)	69 154 021	44 299 479	Road Transport	(21 731 753)	77 548 688	55 816 936
(456 852 465)	416 330 168	(40 522 297)	Electricity	(543 261 528)	499 148 135	(44 113 392)
(973 028 348)	884 877 430	(88 150 918)	Sub Total	(1106 601 841)	1 004 727 933	(101 873 908)
-	(30 946 709)	(30 946 709)	Less: Inter-Departmental	-	(36 357 784)	(36 357 784)
(973 028 348)	853 930 721	(119 097 627)	Total	(1106 601 841)	968 370 149	(138 231 693)

KWADUKUZA MUNICIPALITY

UNAUDITED APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

	Actual 2014 R	Budget 2014 R	Variance 2014 R	Variance 2014 %	Explanations of significant Variance greater than 5% versus budget
REVENUE					
Revenue from non-exchange transactions					
Property rates	(257,976,406)	(265,161,582)	(7,185,176)	2.71%	n/a
Property rates - penalties imposed and collection charges	(9,666,071)	(8,522,780)	1,143,291	-13.41%	n/a
Fines	(34,630,482)	(4,653,500)	29,976,982	-644.18%	Application of IGRAP 1
Government grants and subsidies	(138,961,286)	(112,474,000)	26,487,286	-23.55%	Improvement in capital spending
Licences and permits	(8,767,667)	(259,300)	8,508,367	-3281.28%	more licences and permits issued as previously anticipated
Public donations - Property, plant and equipment	(5,024,977)	-	5,024,977	100.00%	Not budget for as council is not aware of any donations during the budget process
Revenue from exchange transactions					
Service charges	(568,708,442)	(585,935,859)	(17,227,416)	2.94%	n/a
Rental of facilities and equipment	(505,440)	(1,425,576)	(920,136)	64.54%	Contracts have expired
Interest earned investments	(21,700,289)	(12,374,866)	9,325,423	-75.36%	Underspending on the capital budget - more investment income realised
Interest earned outstanding debtors	(4,283,230)	(3,150,000)	1,133,230	-35.98%	more interest on debtors realised as budgeted
Other income	(45,848,445)	(53,759,451)	(7,911,007)	14.72%	General decrease in other income streams
Gain on disposal of property, plant and equipment	(84,105)	(44,632)	39,473	-88.44%	More gains realised as budgeted
Revaluation of investment properties	(10,445,000)	-	10,445,000	100.00%	Did not budget
Total Revenue	(1,106,601,840)	(1,047,761,545)	(58,840,295)	5.62%	
EXPENDITURE					
Executive and Council	66,668,798	68,502,367	(1,833,569)	-2.68%	Further analysis provided in notes to budget statement
Finance and Administration	87,935,263	77,411,117	10,524,146	13.60%	Further analysis provided in notes to budget statement
Planning and Development	21,913,312	30,487,326	(8,574,014)	-28.12%	Further analysis provided in notes to budget statement
Health	(3,979,476)	4,397,005	(8,376,481)	-190.50%	Further analysis provided in notes to budget statement
Community and Social Services	16,875,254	23,187,079	(6,311,824)	-27.22%	Further analysis provided in notes to budget statement
Housing	6,264,759	19,350,406	(13,085,647)	-67.62%	Further analysis provided in notes to budget statement
Public Safety	83,477,325	76,892,730	6,584,595	8.56%	Further analysis provided in notes to budget statement
Sports and Recreation	73,818,117	69,530,659	4,287,458	6.17%	Further analysis provided in notes to budget statement
Waste Management	49,680,009	61,167,391	(11,487,381)	-18.78%	Further analysis provided in notes to budget statement
Road Transport	71,085,018	91,965,799	(20,880,780)	-22.70%	Further analysis provided in notes to budget statement
Electricity	494,631,771	524,828,989	(30,197,218)	-5.75%	Further analysis provided in notes to budget statement
Total Expenditure	968,370,149	1,047,720,866	(79,350,716)	-7.10%	
SURPLUS FOR THE YEAR	(138,231,691)	(40,679)	(138,191,012)		

KWADAKUZA MUNICIPALITY
UNAUDITED APPENDIX E(2) : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual R	2014 Under Construction R	2014 Total Additions R	2014 Budget R	2014 Variance R	2014 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
EXECUTIVE AND COUNCIL	1 742 389	7 675 555	9 417 944	24 700 000	(15 282 056)	-62%	Under spending on NDPG funded, The project is in the construction phase and as be rolled over.
FINANCE & ADMIN	1 871 987		1 871 987	7 983 332	(6 111 345)	-77%	Under-spending due to a delay on procurement of upgrade of PC's and network. A delay on construction of the wall of victims of violence and renovation to finance buildings. Savings on fleet purchase and Electronic Time management system.
PLANNING & DEVELOPMENT	949 994	5 223 129	6 173 123	6 636 504	(463 382)	-7%	under-spending due to the delay procurement street renaming project and renovations to Town Planning's buildings.
COMMUNITY & SOCIAL SERVICES	6 155 524	9 678 401	15 833 925	45 427 176	(29 593 251)	-65%	Under-spending due delay in the construction of projects,hence projects where rolled over to next financial year.
PUBLIC SAFETY	3 139 264		3 139 264	7 992 526	(4 853 262)	-61%	A delay on procurement of a water tanker in the Fire Department due to non compliance of bidders in the scm process. A delay on implementation of the Testing Ground facility. Funds have been rolled over.
ROADS & STORM WATER DRAINAGE	205 299	111 768 731	111 974 030	205 730 860	(93 756 830)	-46%	Delay in the implementation of MIG projects due insufficient funding on certain individual mig funded projects. Delay on critical areas as per the roads master plan. all these projects were rolled over to the 2013/14 financial year.
ELECTRICITY	2 855 957	96 302 226	99 158 183	176 578 696	(77 420 514)	-44%	Delay on loan funded projects as per the Energy Master Plan. Some projects are in still the SCM process and funds were rolled over to the outer years within the MTREF. Majority of bulk supply projects have been awarded. Delays are attributed to logistical challenges
	16 920 414	230 648 041	247 568 455	475 049 095	(227 480 640)		

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2012/2013 financial statements	Adjustments and Transfers	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2013/2014 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
				July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
				1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-	1,016,000	32,736,000	25,173,000	19,641,000	-	78,566,000	32,736,000	25,173,000	19,641,000	1,016,000	78,566,000	-	NO	N/A	YES	N/A
MIG	DPLG	23,696,547		23,146,000	-	18,695,000	-	41,841,000	4,875,662	8,339,001	6,298,734	16,803,318	36,316,716	29,220,831	NO	N/A	YES	N/A
INEP	Integrated National Electrification Grant	-		4,000,000	1,000,000	-	-	5,000,000	-	622,653	-	4,190,619	4,813,272	186,728	NO	N/A	YES	N/A
FMG	National Treasury	258,946	-412,000	1,550,000	-	-	-	1,550,000	308,181	337,002	86,736	665,027	1,396,946	-	YES	Underspending	YES	N/A
LUMS	LGTA	107,000		-	-	-	-	-	-	-	-	107,000	107,000	-	NO	N/A	YES	N/A
New Library	Provincial Libraries	91,150		240,000	-	-	-	240,000	55,189	58,331	53,225	58,056	224,801	106,348	NO	N/A	YES	N/A
MSIG	LGTA	731,959		890,000	-	-	-	890,000	502,934	380,170	304,777	375,926	1,563,806	58,152	NO	N/A	YES	N/A
MUSEUM	Office Of the Premier	-		-	-	284,000	-	-	-	86,604	284,000	-	370,604	-	NO	N/A	YES	N/A
MUSEUM	Office Of the Premier	465,577		-	-	284,000	-	284,000	-	86,604	284,000	-	370,604	378,973	NO	N/A	YES	N/A
Property Rates Implementation	Ilembe District Municipality	31,986		-	-	-	-	-	-	-	-	-	-	31,986	NO	N/A	YES	N/A
DPT SPORT	Department of Sports & recreation	260 486		-	-	-	-	-	16 114	16 246	16 090	13 967	62,417	198,070	NO	N/A	YES	N/A
CBD REVITALIZATION	DPLG	64,101		-	-	-	-	-	-	-	-	64,101	64,101	-	NO	N/A	YES	N/A
MAP	DPLG	822,903		-	-	-	-	-	-	-	-	-	-	822,903	NO	N/A	YES	N/A
Disaster rough seas	LGTA	4,400,258		-	-	-	-	-	-	-	-	1,203,908	1,203,908	3,196,350	NO	N/A	YES	N/A
RDP HOUSING	Department Of Housing	-172,134	-79,800	-	-	-	-	-	-	-	-	-	-	-251,934	NO	N/A	YES	N/A
iLembe Shared Services	Ilembe District Municipality	823,003		-	-	-	-	-	12,339	-	-	-	12,339	810,664	NO	N/A	YES	N/A
Neighbourhood Development Partnership	National Treasury	-	-	2 287 000	7 297 000	13 416 000	-	23,000,000	361,623.68	1 479 229	1 920 493	3 932 946	7,694,292	15,305,708	NO	N/A	YES	N/A
Thusong Centre		344 233		-	-	-	-	-	67 051	70 302	107 601	89 588	334,542	9,691	NO	N/A	YES	N/A
Multi Purpose Centre (MPCC)		310 561		-	-	-	-	-	44 378	97 407	2 404	96 959	241,148	69,414	NO	N/A	YES	N/A
ENTEMBENI/ CHARLOTDALE PRECENT		480 000		-	-	-	-	-	-	216 758	-	-	216,758	263,242	NO	N/A	YES	N/A
CORRIDOR DEVELOPMENT		9 771 173		-	-	-	-	-	166 019	-	1 332 577	2 709 462	4,208,058	5,563,115	NO	N/A	YES	N/A
EXPANDED PUBLIC WORKS PROGRAMME	National Treasury	603 938	(604 000)	400 000	-	600 000	-	1,000,000	89 618	497 076	(586 694)	870 484	870,484	129,454	YES	Underspending	YES	N/A
HOUSING ACCREDITATION FUNDING		6 846 000	4 972 800	-	-	-	-	-	-	-	-	694 094	694,094	11,124,706	NO	N/A	YES	N/A
ELECTRICITY DEMAND SIDE MANAGEMENT	National Treasury	8 000 000	-	-	-	-	-	-	-	-	-	-	-	8,000,000	NO	N/A	YES	N/A
		58 109 820	4 893 000	65 249 000	39 470 000	54 636 000	-	160 371 000	39 235 108	37 373 779	29 460 944	32 891 455	138 961 286	75 476 334				